1981 EXECUTIVE REPORT

FUNDING COSTS AND LIABILITIES OF LARGE CORPORATE PENSION PLANS

Johnson Higgins

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INTRODUCTION, METHOD, HIGHLIGHTS, CONCLUSION

Introduction

This fourth annual edition of the **Executive Report on Funding Costs and Liabilities of Large Corporate Pension Plans**, like previous ones, seeks the answers to two questions:

- How do pension costs impact on corporations?
- Are pension funds adequate to provide promised benefits?

As detailed in the following section on methodology, this series of **Executive Reports** extracts relevant data on pension costs and liabilities from corporate annual reports, presents the data for the fiscal year under study and compares this current data with similar figures reported in prior years.

This 1981 edition will vary somewhat from our usual Report because, for the first time, most of the Fortune-ranked companies included were required to measure and report pension plan liabilities in compliance with the Financial Accounting Standards Board (FASB) Statement No. 36 (FAS-36), "Disclosure of Pension Information." FAS-36 requires the disclosure, for fiscal years beginning after December 15, 1979, of a pension plan's actuarial present value of both vested accumulated and nonvested accumulated benefits; net assets available for benefits; the interest assumption (rate of return) used to value benefits and the benefit valuation date.

With respect to our first question — "How do pension costs impact on corporations?" — we have extracted data for 1980 fiscal years and presented it in comparison to 1979 data because FAS-36 does not directly affect the measurement or reporting of pension cost (Exhibits 2 through 7).

With respect to our second question — "Are pension funds adequate to provide promised benefits?" — we have departed from our normal format because the change in the method of measuring plan liabilities under FAS-36 makes a direct comparison with prior years inappropriate (Exhibits 8 through 13).

Unfortunately, the changes in the measurement and disclosure of pension plan liabilities as mandated by FAS-36 have led to a great deal of confusion over what the funded status of plan benefits really is. Arguments are being made that, because the figures required by FAS-36 do not take into consideration future salary increases, (1) they tend to understate the benefits that an ongoing pension plan will eventually have to pay, and (2) that prior disclosure of unfunded past service liabilities, which took future salary increases into consideration, gave a much more realistic look at the funded status of pension plans.

A detailed commentary on these points is beyond the scope of this introductory material. However, because an understanding of the issues and methods is necessary to properly answer the question of whether pension plans can provide promised benefits, we have added an explanation of Johnson & Higgins' views as Appendix C to this Executive Report. In brief, our opinion is:

(1) Unfunded vested accumulated benefits, as measured under FAS-36 methods, is a valid measure of the current funded status of a pension plan. It represents the present value of accrued vested benefits that would be the actual liability of the plan if it were to terminate and the present value of the unfunded vested benefits that could be a claim against the corporate sponsor (up to 30 percent of net worth).

(2) Total accumulated benefits, as measured under FAS-36, may well be an accurate representation of the total plan liabilities that have accumulated based on years of employment through the present fiscal year. However, for the purpose of determining whether a plan can provide promised benefits, this measurement is inappropriate and to a large degree irrelevant. If a plan is terminated, benefit security (funding) is measured by vested accumulated benefits based on service and salary to date. If a plan is not being terminated, benefit security (funding) is really a function of ongoing annual pension cost and the ability of the plan sponsor to continue to contribute these costs.

FASB Statement No. 36 is meant as an interim measure until the FASB issues a new standard on accounting for the cost of pensions, which will replace Accounting Principles Board (APB) Opinion No. 8. In the meantime, employers, their employees, financial analysts and other users of corporate annual reports will have to make their own judgments on the relevancy of the new data.

Method

Data was extracted from 1980 annual reports to shareholders for 470 of the Fortune 500 Industrial corporations and 175 of the four categories of Fortune 50 Largest Non-Industrial corporations (Commercial Banking, Retailing, Transportation and Utilities companies). For companies whose fiscal years ended within the first three months of 1981, their 1981 annual reports were used. The information in each section of this report is presented by Fortune 100 Industrial group, by industry group (as categorized by the U.S. Office of Management and Budget) and by Fortune 50 Non-Industrial group. Unless otherwise specified, references in the report to the Fortune 500 "Industrial companies" and the "Non-Industrial companies" cover only those companies for which data were extracted in each of the following Exhibits.

Pension cost figures contained in this report are those for defined benefit plans only. (Forty-two companies, however, disclosed that their pension costs included profit-sharing contributions.) Cost figures do not generally include defined contribution plan costs, although it is recognized that some companies may have aggregated the cost of all their plans and not disclosed that fact. Plan costs may also include those of foreign plans whose costs may not have been segregated. Taking into consideration these factors, it is reasonably certain that the overwhelming majority of indicated pension costs are those of domestic, defined benefit plans. If reported separately, contributions to multiemployer plans were added to plan costs, while contributions to Employee Stock Ownership Plans and Tax Reduction Act Stock Ownership Plans were not.

The survey results are displayed through the use of graphs and tabular Exhibits. Data is reported numerically and as a percent; that is, for each comparison, both the number of companies and the percent of companies included in any Fortune or industry group are given for that particular comparison.

Additional information on retirement plans or areas that affected them which was disclosed in the annual reports but not included in the Exhibits is presented in Appendix A on page 58.

Highlights

The figures below represent statistics culled from 1980 annual reports to shareholders. Figures for years prior to those were taken from previous Executive Reports. Note that the universe of companies changes from year to year. Thus, a comparison of percentages and dollars to prior reports is not exact.

- Pension cost for the Fortune 500 Industrial companies rose by 10.1 per cent in 1980 — the smallest increase in pension cost since this study was first published for 1977 fiscal years. Comparable prior year increases are: 1979, 15.9 per cent; 1978, 15.7 per cent; 1977, 13.5 per cent. Non-Industrials' pension cost increased by 10.5 per cent in 1980. Total pension dollars spent by all companies in this study amounted to $28.6 billion.
- Pretax profits of $170 billion for the Fortune Industrial companies represented an increase of only 7.4 per cent in 1980 — in harsh contrast to the 20.8 per cent gain posted in 1979. Non-Industrial companies realized profits of $48 billion before taxes, for a 6.5 per cent growth rate in 1980.
- As a percent of pretax profits, pension cost amounted to 12.6 per cent in 1980 for Fortune 500 Industrial companies (12.3 per cent in 1979). For Non-Industrials, pension cost was a somewhat higher 14.9 per cent (14.4 per cent in 1979).
- For the first time since publication of this annual study, the number of workers employed at Fortune 500 Industrial companies has declined: 1980 showed a *decrease* of 1.9 per cent, versus a 3.7 per cent increase in 1979. Non-Industrial companies saw a 3 per cent increase in 1980, somewhat lower than the 4.6 per cent they witnessed in 1979. Survey participants, in total, employed 21.6 million people in 1980.
- Pension cost per employee averaged $1,329 at the Industrial firms, up 12.1 per cent from 1979. Non-Industrials had a slightly lower increase — 7.4 per cent — for an average of $1,279 in pension cost per employee.
- As a percent of wages and salaries, pension cost for Industrial companies was 8.1 per cent in 1980, up from 1979's 7.9 per cent. For both 1980 and 1979, pension cost averaged 7.1 per cent of wages and salaries for Non-Industrial companies.
- Under FAS-36 standards, 57 per cent of the Fortune 500 Industrial companies' pension plans had net assets equal to or greater than accumulated vested benefits; the average funded status of vested benefits for this group of plans was a high 121.1 per cent. In 1979, before FAS-36 standards were used, 26 per cent of Industrials had fully funded vested benefits.

Seventy-two per cent of Non-Industrial companies were similarly fully funded in 1980 under FAS-36, with net assets for this group of fully funded plans equal to 124.9 per cent of accumulated vested benefits.

- The average interest assumption used to value plan benefits under the new FAS-36 standards was 7.19 per cent for the Industrial companies and 6.98 per cent for Non-Industrials in 1980. The interest assumption used to value plan benefits in 1979 was not required to be shown. However, we believe it was lower in 1979 on average and for most plans. Using a higher interest assumption has the effect of decreasing the liability for accumulated benefits and unfunded benefits — both vested and total.
- Net assets for the Fortune Industrial companies were 86.2 per cent of total accumulated benefits, adjusted to take into consideration the fully funded plans in relation to the lesser-funded ones. There are no comparable statistics for 1979 fiscal years.
- As a percent of net worth, unfunded vested benefits of Industrial companies' pension plans equalled 2.7 per cent in 1980, down markedly from 7.3 per cent in 1979. The substantial drop largely originates with FAS-36 standards.
- Even when one considers the relatively depressed increase in pretax profits in 1980, the average Industrial company can pay its liability (measured under the new FAS-36 standards) for total unfunded vested benefits with less than a month's worth of 1980 pretax profits, down from a corresponding duration of ten weeks for 1979.

Conclusion

The answer to the first question posed in the introduction — How do pension costs impact on the corporation? — is answered in much the same manner for 1980 fiscal years as it has been previously: Indeed, in terms of doliars spent, maintaining a pension plan is costly — an average of $46 million for a Fortune 500 Industrial firm. However, the cost has managed to keep apace of growth in pretax profits. Witness: Pension cost, as a percent of those profits, has averaged from a low of 12.2 per cent in 1977 to a high of 12.6 per cent in 1980 — a remarkably narrow range. As a long-term corporate commitment, however, pension plans and their cost of maintenance have shown the attributes of any other cost-of-business expense, such as wages or taxes. Except for aberrations now and again, pension cost in relation to the whole of the corporation has grown at a pace consistent with other parts which make up that whole.

The second question — Are pension funds adequate to provide the promised benefits? — is a bit more difficult to answer. From the results of the FAS-36 information presented in these pages, the answer can only be a resounding "yes!" Measured on an accumulated benefit basis, pension funds, according to the data here, are not only well funded, but, on average, net assets exceed accumulated vested benefits.

Ninety-four per cent of the Fortune 500 are represented in this study

1. Number of Corporations Surveyed, 1980

Ninety-four per cent — 470 companies — of the Fortune 500 Industrial corporations are represented in this 1981 Executive Report; 175, or 88 per cent, of the four Fortune 50 Largest Non-Industrial groups — each consisting of 50 commercial banks, retailers, utilities and transportation companies — are similarly covered. Exhibit 1 on page 8, as well as subsequent Exhibits in this report, breaks out these companies by Fortune 100 Industrial and Non-Industrial rank and by industry group. Twelve of the 27 industry groups are fully accounted for, as are all 50 each of the Non-Industrial commercial banks and utilities.

Of the 700 companies in the Fortune 500 Industrial and the four 50 Largest Non-Industrial groups, 55 are not represented. 1980 annual reports to shareholders, from which the survey data are taken, could not be obtained for twenty of them; seven either merged with another Fortune-ranked firm or were acquired by a foreign-owned company; ten sponsored profit-sharing plans only; nine indicated no pension plan; one sponsored a new plan, with no comparable 1979 data; three were in Chapter 11 bankruptcy proceedings; and five of the Non-Industrial firms are subsidiaries of Fortune 500 Industrial companies with their pension cost data included in the parent companies' figures.

An alphabetical list of the 645 annual reports to shareholders that were surveyed for this study can be found in Appendix B on page 64.

EXHIBIT 1 Survey Participants, 1980

	Number of Companies in Fortune Universe	Number of Companies in J&H Survey	Percent of Fortune-Ranked Companies in J&H Survey
BY FORTUNE 500 INDUSTRIAL GROUP			
Fortune 1-100	100	99	99%
Fortune 101-200	100	98	98%
Fortune 201-300	100	96	96%
Fortune 301-400	100	90	90%
Fortune 401-500	100	87	87%
	Total 500	470	94%
BY INDUSTRY GROUP			
Mining, crude oil production	13	12	92%
Food	54	49	91%
Tobacco	4	4	100%
Textiles, vinyl flooring	13	13	100%
Apparel	9	8	89%
Furniture	1	1	100%
Paper, fiber and wood products	30	29	97%
Publishing, printing	13	13	100%
Chemicals	40	37	93%
Petroleum refining	41	40	98%
Rubber, plastic products	6	6	100%
Leather	2	1	50%
Glass, concrete, abrasives, gypsum	16	16	100%
Metal manufacturing	38	36	95%
Metal products	23	20	87%
Electronics, appliances	37	36	97%
Shipbuilding, railrd., trans. equip.	9	9	100%
Measuring, scient., photo equip.	15	15	100%
Motor vehicles	19	18	95%
Aerospace	14	14	100%
Pharmaceuticals	17	15	88%
Soaps, cosmetics	8	6	75%
Office equipment (incl. computers)	13	11	85%
Industrial & farm equipment	43	39	91%
Musical instr., toys, sporting goods	5	5	100%
Broadcasting, motion picture prod., dist.	6	6	100%
Beverages	11	11	100%
BY FORTUNE 50 LARGEST NON-INDUSTRIAL GROUP			
Commercial banking	50	50	100%
Retailing	50	34	68%
Transportation	50	41	82%
Utilities	50	50	100%
	Total 200	175	88%

Pension cost rose, on average, 10.1 per cent for Industrial companies in 1980

2. Change in Pension Cost, 1980 from 1979

In 1980, the 470 companies in the Fortune 500 Industrial group contributed $21.5 billion towards the maintenance of the pension plans they sponsor. This represents the smallest percentage increase in pension cost since this study was first published for 1977 fiscal years. Pension cost rose, on average, 10.1 per cent in 1980 for the 470 Industrial firms included in this report. Comparable prior year statistics are: 1979, 15.9 per cent (477 companies); 1978, 15.7 per cent (475 companies); and 1977, 13.5 per cent (430 companies). The 175 Non-Industrial firms paid $7.1 billion in 1980 to maintain their plans, for a 10.5 per cent increase. In 1979, this figure rose by 14.1 per cent (173 companies); 17.6 per cent in 1978 (173 companies); and 10.9 per cent in 1977 (144 companies). Combining the Fortune 500 Industrial and Non-Industrial companies, these 645 firms spent $28.6 billion to maintain their pension plans.

This comparatively lower pension cost increase is most likely to be the result of favorable investment performance during 1978-1980, combined with a decrease in the average number of employees working for the Fortune-ranked firms in this Executive Report (for a fuller discussion of this phenomenon, see Exhibit 5, page 22). Higher unemployment means lower payrolls and less coverage. This, coupled with the fact that some firms have changed actuarial methods and/or assumptions which result in a lower contribution, can, to a point, account for the 10.1 per cent increase in pension cost. What will happen in future years, with a hoped-for economic recovery, and less unemployment, remains to be seen.

The graph on page 11 illustrates the distribution of these increases in pension cost. Exhibit 2, page 12, presents them statistically. Both point out a fact that has a lot to do with the lower average pension cost increase in 1980: 17 per cent of the Fortune 500 Industrial group experienced a *decrease* in pension cost. This compares with 8 per cent in 1979 and 7 per cent in 1978. Sixty-three per cent of the Industrial companies showed increases of less than 20 per cent, with 31 per cent sustaining an increase of less than 10 per cent. Only 4 per cent (eighteen companies) of the Industrial group experienced an increase of 50 per cent or more; for many of these firms, the reasons for such a rise included amending a plan from contributory to non-contributory status, adopting a new plan, or acquiring another firm — thus expanding coverage. In fact, of those eighteen companies which showed an increase in pension cost of 50 per cent or more, six showed a 100 per cent increase or more. What is significant is that these six firms had combined pension costs of $23.6 million in 1980 versus $9 million in 1979 — a sizeable increase indeed, but small in comparison to the total Industrial group's figure.

By Fortune 100 rank, the 99 companies in the Fortune 1-100 Industrial group, which allocated $15.2 billion to pension costs, accounted for 70.6 per cent of all monies spent by the entire Fortune 500 Industrial group. Of the 1-100-ranked firms, 40 had a pension cost of more than $100 million in 1980 (with five of those topping $500 million). The aggregate pension expense of these 40 firms was $12.1 billion, or 56.6 per cent of the Industrial companies in this survey. The largest increase by Fortune 100 rank was realized by the Fortune 301-400 group, at 11.6 per cent, with Fortune 101-200-ranked firms at the low of 8.5 per cent.

Non-Industrial transportation firms posted the greatest increase in pension cost in 1980, at 16.1 per cent. Non-Industrial utilities effected, as they have for the past three years, the lowest increase in pension cost, with a rise of 8.4 per cent. Yet, the $4.3 billion that the public utilities spent to sponsor their pension plans in 1980 accounted for 60 per cent of the amount expended by all 175 Non-Industrial companies.

The data presented by industry group in Exhibit 2 paint an even finer picture of the broad statistics discussed above. For instance, of the 27 industry groups, all but three showed a lower average increase in pension cost in 1980 than they did in 1979. For some, like the twelve companies in the mining and crude oil industry, the change was dramatic — going from an increase of 25.8 per cent in 1979, as reported in last year's study, to one of .3 per cent in 1980. Five industries, on average, experienced a decrease in pension cost in 1980. The biggest decline (excluding the furniture industry, where the number of companies is not significant) was for the six companies in the rubber, plastic products group: its 6 per cent decrease in cost in 1980 reflects a significant move from its 16.6 per cent increase in 1979. Highest average increase in pension cost was experienced by the six companies in the soaps, cosmetics industry; whereas these same firms showed a rise of 16.5 per cent in their 1979 pension cost, 1980 saw an average increase of 20.3 per cent. (Note that, in 1979, four industry groups had an average increase in pension cost of 20 per cent or more; this year, only the soaps, cosmetics group fell into that category.) Each of the 50 Largest Non-Industrial groups also saw a lower increase in their pension cost in 1980 than in 1979.

Average pension cost per company in the Fortune 500 Industrial group was $45.7 million in 1980 (see last two columns, Exhibit 2). Corporations in the Fortune 1-100 group averaged $153.2 million, whereas the average Fortune 401-500 company spent $6 million. As they did in 1979, the motor vehicles and office equipment industries had the highest average pension cost per company in 1980 — at $198.8 million and $137.6 million, respectively. Average cost per company among the Non-Industrials was $40.8 million in 1980, with utilities at the top of the scale at $85.8 million, commercial banks at the lower end at $10.5 million.

Note: The pension cost figures for 42 of the 645 companies represented in Exhibit 2 include corporate profit-sharing contributions. It is recognized that some of the remaining pension cost figures may indeed include profit-sharing amounts, but they were not identified as such in the annual reports. Where the cost of foreign pension plans was disclosed, it was not included in the pension cost figures used for this report, although 72 of the companies stated that their costs included foreign plan contributions. Another 62 companies disclosed that their plan cost included contributions to multiemployer pension plans.

CHANGE IN PENSION COST 1980 FROM 1979

Fortune 500 Companies
Average Change: 10.1%

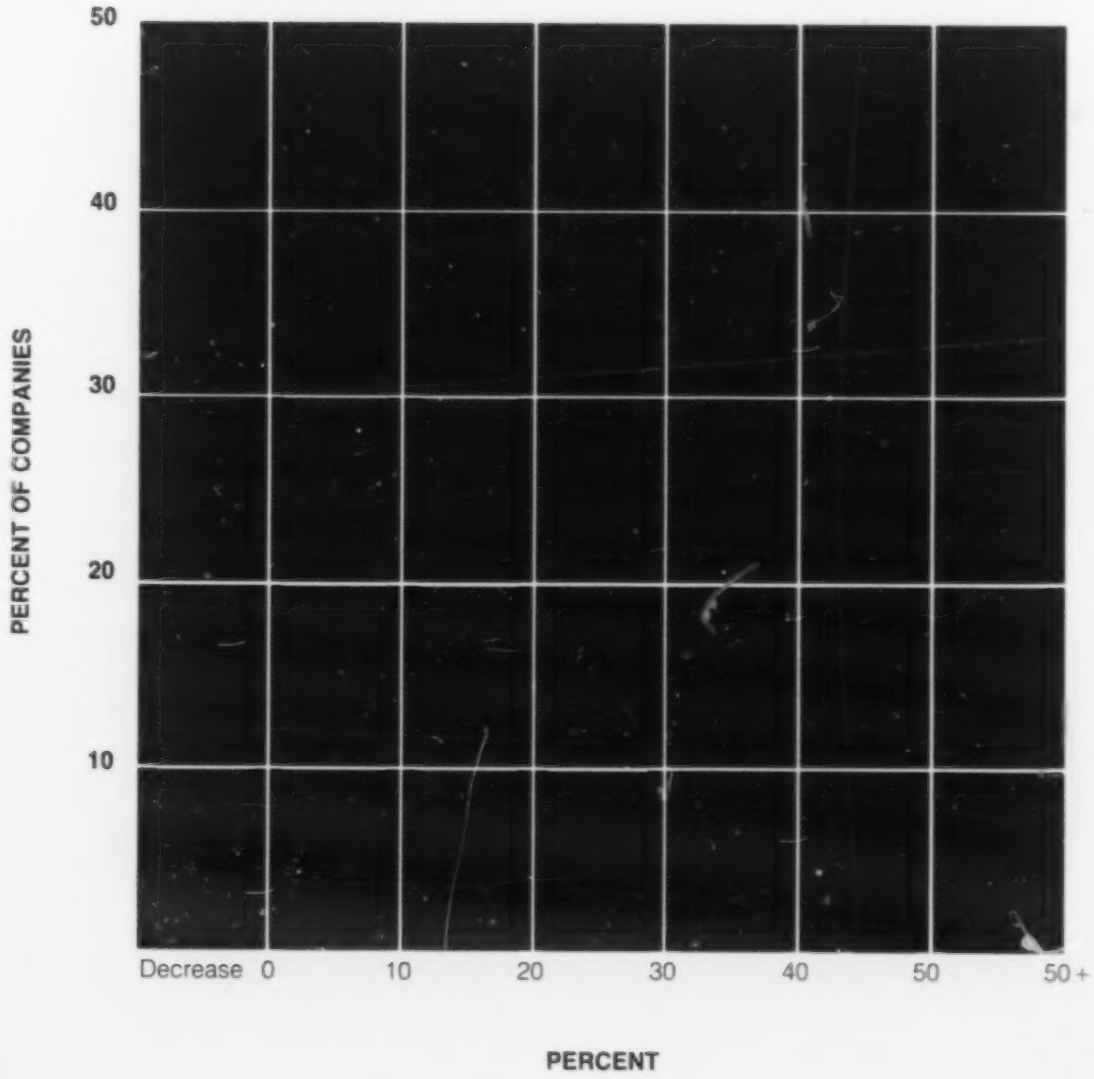

EXHIBIT 2 Change in Pension Cost, 1980 from 1979

	Number of Companies	1980 Pension Cost ($ Millions)	1979 Pension Cost ($ Millions)	Average Change	Decrease
BY FORTUNE 500 INDUSTRIAL GROUP					
Fortune 1-100	99	$15,169.2	$13,728.4	[illegible]	16 (16%)
Fortune 101-200	98	3,313.2	3,053.1	[illegible]	15 (15%)
Fortune 201-300	96	1,594.6	1,467.1	[illegible]	18 (19%)
Fortune 301-400	90	881.9	790.4	[illegible]	12 (13%)
Fortune 401-500	87	518.8	477.0	[illegible]	18 (21%)
	Total 470	$21,477.7	$19,516.0	[illegible]	79 (17%)
BY INDUSTRY GROUP					
Mining, crude oil production	12	$ 245.9	$ 245.2	[illegible]	2 (17%)
Food	49	860.9	771.1	[illegible]	2 (4%)
Tobacco	4	222.5	190.1	[illegible]	0 (0%)
Textiles, vinyl flooring	13	126.2	118.9	[illegible]	5 (38%)
Apparel	8	74.3	73.0	[illegible]	2 (25%)
Furniture	1	2.2	4.2	[illegible]	1 (100%)
Paper, fiber, and wood products	29	590.5	599.4	[illegible]	10 (34%)
Publishing, printing	13	174.1	153.5	[illegible]	0 (0%)
Chemicals	37	1,392.6	1,273.5	[illegible]	3 (8%)
Petroleum refining	40	2,656.2	2,273.5	[illegible]	7 (18%)
Rubber, plastic products	6	387.2	411.7	[illegible]	2 (33%)
Leather	1	8.0	8.5	[illegible]	1 (100%)
Glass, concrete, abrasives, gypsum	16	353.5	324.4	[illegible]	3 (19%)
Metal manufacturing	36	2,102.9	2,064.7	[illegible]	10 (28%)
Metal products	20	534.5	508.7	[illegible]	3 (15%)
Electronics, appliances	36	2,248.8	2,075.7	[illegible]	7 (19%)
Shipbuilding, railrd., trans. equip.	9	129.0	112.5	[illegible]	2 (22%)
Measuring, scient., photo equip.	15	825.2	705.5	[illegible]	2 (13%)
Motor vehicles	18	3,579.0	3,214.1	[illegible]	7 (39%)
Aerospace	14	1,312.4	1,202.8	[illegible]	1 (7%)
Pharmaceuticals	15	423.4	372.5	[illegible]	0 (0%)
Soaps, cosmetics	6	109.8	91.3	[illegible]	0 (0%)
Office equip. (incl. computers)	11	1,513.7	1,308.2	[illegible]	2 (18%)
Industrial & farm equipment	39	1,306.6	1,142.5	[illegible]	3 (8%)
Music instr., toys, sporting goods	5	41.2	42.8	[illegible]	2 (40%)
Broadcasting, motion picture prod., dist.	6	69.3	61.7	[illegible]	1 (17%)
Beverages	11	187.8	166.0	[illegible]	1 (9%)
BY FORTUNE 50 LARGEST NON-INDUSTRIAL GROUP					
Commercial banking	50	$ 525.5	$ 474.4	[illegible]	5 (10%)
Retailing	34	956.1	852.3	[illegible]	3 (9%)
Transportation	41	1,357.6	1,169.5	[illegible]	5 (12%)
Utilities	50	4,292.2	3,958.6	[illegible]	5 (10%)
	Total 175	$ 7,131.4	$ 6,454.8	[illegible]	18 (10%)

Number of Companies (Percent of Sample)						Average Cost Per Company ($ Millions)	
Increase of 0-9.9%	Increase of 10-19.9%	Increase of 20-29.9%	Increase of 30-39.9%	Increase of 40-49.9%	Increase of 50% or More	1980	1979
33 (33%)	34 (34%)	11 (11%)	3 (3%)	1 (1%)	1 (1%)		$138.7
32 (33%)	30 (31%)	11 (11%)	4 (4%)	2 (2%)	4 (4%)		31.2
33 (34%)	23 (24%)	14 (15%)	4 (4%)	0 (0%)	4 (4%)		15.3
26 (29%)	33 (37%)	9 (10%)	3 (3%)	2 (2%)	5 (6%)		8.8
24 (28%)	29 (33%)	5 (6%)	5 (6%)	2 (2%)	4 (5%)		5.5
148 (31%)	149 (32%)	50 (11%)	19 (4%)	7 (1%)	18 (4%)		$ 41.5
5 (42%)	3 (25%)	2 (17%)	0 (0%)	0 (0%)	0 (0%)		$ 20.4
23 (47%)	12 (24%)	6 (12%)	2 (4%)	2 (4%)	2 (4%)		15.7
0 (0%)	3 (75%)	1 (25%)	0 (0%)	0 (0%)	0 (0%)		47.5
5 (38%)	0 (0%)	2 (15%)	0 (0%)	0 (0%)	1 (8%)		9.1
2 (25%)	2 (25%)	1 (13%)	0 (0%)	1 (13%)	0 (0%)		9.1
0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)		4.2
10 (34%)	7 (24%)	1 (3%)	1 (3%)	0 (0%)	0 (0%)		20.7
5 (38%)	6 (46%)	2 (15%)	0 (0%)	0 (0%)	0 (0%)		11.8
12 (32%)	16 (43%)	4 (11%)	1 (3%)	0 (0%)	1 (3%)		34.4
7 (18%)	12 (30%)	6 (15%)	5 (13%)	1 (3%)	2 (5%)		56.8
3 (50%)	1 (17%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)		68.6
0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)		8.5
5 (31%)	4 (25%)	0 (0%)	2 (13%)	1 (6%)	1 (6%)		20.3
20 (56%)	5 (14%)	1 (3%)	0 (0%)	0 (0%)	0 (0%)		57.4
12 (60%)	4 (20%)	1 (5%)	0 (0%)	0 (0%)	0 (0%)		25.4
7 (19%)	14 (39%)	3 (8%)	1 (3%)	1 (3%)	3 (8%)		57.7
2 (22%)	1 (11%)	1 (11%)	1 (11%)	0 (0%)	2 (22%)		12.5
1 (7%)	8 (53%)	4 (27%)	0 (0%)	0 (0%)	0 (0%)		47.0
5 (28%)	3 (17%)	3 (17%)	0 (0%)	0 (0%)	0 (0%)		178.6
5 (36%)	7 (50%)	0 (0%)	1 (7%)	0 (0%)	0 (0%)		85.9
4 (27%)	6 (40%)	5 (33%)	0 (0%)	0 (0%)	0 (0%)		24.8
0 (0%)	4 (67%)	0 (0%)	2 (33%)	0 (0%)	0 (0%)		15.2
2 (18%)	3 (27%)	1 (9%)	1 (9%)	1 (9%)	1 (9%)		118.9
9 (23%)	19 (49%)	4 (10%)	1 (3%)	0 (0%)	3 (8%)		29.3
0 (0%)	1 (20%)	1 (20%)	0 (0%)	0 (0%)	1 (20%)		8.6
2 (33%)	2 (33%)	1 (17%)	0 (0%)	0 (0%)	0 (0%)		10.3
2 (18%)	6 (55%)	0 (0%)	1 (9%)	0 (0%)	1 (9%)		15.1
11 (22%)	18 (36%)	11 (22%)	1 (2%)	1 (2%)	3 (6%)		$ 9.5
14 (41%)	5 (15%)	9 (26%)	0 (0%)	1 (3%)	2 (6%)		25.1
11 (27%)	9 (22%)	11 (27%)	2 (5%)	1 (2%)	2 (5%)		28.5
15 (30%)	18 (36%)	9 (18%)	1 (2%)	2 (4%)	0 (0%)		79.2
51 (29%)	50 (29%)	40 (23%)	4 (2%)	5 (3%)	7 (4%)		$36.9

Pretax profits of $170 billion rose by 7.4 per cent for Industrials in 1980, versus 20.8 per cent in 1979

3. Change in Pretax Profits, 1980 from 1979

The material in this section (see graph at right, Exhibit 3 on page 16) supplements the information in Exhibit 4, "Pension Cost as a Percent of Pretax Profits," page 20. The relationship between a company's pension cost and its pretax profits, and pension cost effects on those profits, is thus examined. Since the effect of pension cost on a company's profit is often substantial, throughout this report, pretax profits is reported *before* deduction of pension cost (that is, the pension cost figure is added back to the company's reported pretax profits figure).

1980 was not a particularly good year for the average Fortune 500 Industrial company. This year's survey of 470 Industrial firms indicates aggregate pretax profits of $170 billion in 1980, an increase of only 7.4 per cent over comparable income for 1979. This is in harsh contrast to that year's 20.8 per cent increase over 1978's level. Throughout 1980, pretax profits grew at a slower pace than pension costs, the latter rising 10.1 per cent for the Fortune 500 group (Exhibit 2). Only six industry groups out of 27 stood against the current by realizing a greater percentage increase in pretax profits than in pension cost.

The 99 largest Industrials' growth in pretax profits exceeded the average for the Fortune 500 group by 2.7 percentage points. That left an average annual increase of less than 1.5 per cent during 1980 for the remaining 371 smaller Fortune-ranked companies. Indeed, the Fortune 101-200 and 401-500 companies exhibited a snail's-pace growth of .4 per cent and .3 per cent, respectively.

By industry group, only seven saw an increase in pretax profits in 1980 greater than in 1979. The most breathtaking example is the beverage group, whose pace of growth tripled in 1980 (17.5 per cent growth rate in 1980, 5.4 per cent in 1979). However, this result was achieved principally on account of the performance of one company within that group which turned itself around from a 1979 pretax loss. The industry groups with the greatest increases in pretax profits over last year's levels were, for the second consecutive year, the mining and crude oil production group and the petroleum refiners; the former group's twelve companies realizing a 45 per cent increase in profitability compared to last year's 89.9 per cent, and the latter forty companies achieving a growth rate of 35.8 per cent, down from 53.4 per cent in 1979. At the other end of the spectrum, the largest decrease in pretax profits was recorded by the industry which also spent the most dollars for pensions: the motor vehicles group, which netted only $51.3 million during 1980, a 99.5 per cent decrease from 1979 earnings of $11 billion! All but one of the eighteen motor vehicle companies witnessed a decline in profitability over the year, and five companies had pretax losses. Another rather unfavorable result was the rubber and plastic products group, with six companies represented, which showed a decrease of 26.8 per cent in pretax profits during the year.

In terms of pretax profits per company, no reshuffling has occurred among the Industrial groups for the highest three positions. Placing first in both 1980 and 1979 were the petroleum refiners, with the average company producing a whopping $1.7 billion. Not even close were the eleven office equipment (and computer) manufacturers, which produced an average $885 million before paying taxes. Although neither of these two groups was materially above last year's level, the tobacco group (with four companies) had to increase its 1979 pretax profits by 11.5 per cent to retain its position in third place during 1980, with each of the companies earning an average $761 million. Their close challenger for the position, the rapidly growing mining and crude oil production group (average of $711 million per company) was given no contest by last year's fourth-place incumbent, the motor vehicle group (average pretax profits of $2.9 million in 1980, $612 million in 1979).

The 175 Non-Industrial concerns earned $48 billion before taxes during 1980. This represents a 6.5 per cent increase from 1979 and is slightly more favorable than that year's corresponding increase of 5.8 per cent. One Non-Industrial group is still having its troubles though: Retailers' profits decreased 7.3 per cent during 1980, the second consecutive year of overall loss for this group. On the brighter side, the transportation companies, which during 1979 experienced a 5.4 per cent decline in pretax profits, did an about-face and became 1980's most profitable Non-Industrial category, registering a 10.3 per cent increase in pretax profits. Commercial banking firms fell from last year's highest rank (a 1979 per cent increase of 14.9) to third position for 1980 (at 7.1 per cent). Utilities fared better than 1979, raising profits by 9.1 per cent during 1980.

CHANGE IN PRETAX PROFITS, 1980 FROM 1979
Fortune 500 Companies
Average Change: 7.4%

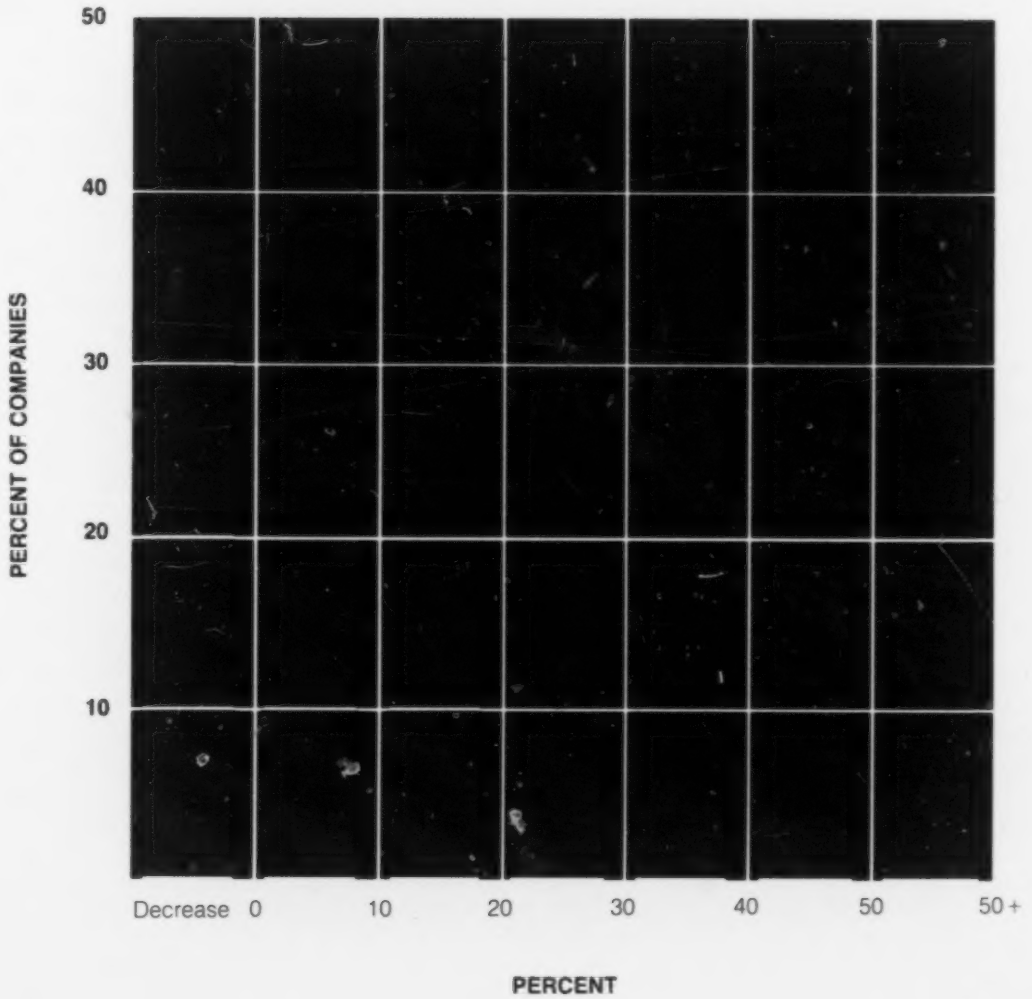

EXHIBIT 3 Change in Pretax Profits, 1980 from 1979

	Number of Companies	1980 Pretax Profits ($ Millions)	1979 Pretax Profits ($ Millions)	Average Change	Company Had Pretax Loss; Percent Not Calculable
BY FORTUNE 500 INDUSTRIAL GROUP					
Fortune 1-100	99	$118,999.0	$108,039.4	[illegible]	5 (5%)
Fortune 101-200	98	25,452.0	25,360.1	[illegible]	3 (3%)
Fortune 201-300	96	13,898.5	13,438.8	[illegible]	0 (0%)
Fortune 301-400	90	7,145.6	6,982.0	[illegible]	3 (3%)
Fortune 401-500	87	4,506.1	4,491.6	[illegible]	5 (6%)
	Total 470	$170,001.2	$158,311.9	[illegible]	16 (3%)
BY INDUSTRY GROUP					
Mining, crude oil production	12	$ 8,526.6	$ 5,879.1	[illegible]	0 (0%)
Food	69	7,958.4	7,166.6	[illegible]	0 (0%)
Tobacco	4	3,043.4	2,728.6	[illegible]	0 (0%)
Textiles, vinyl flooring	13	719.2	882.3	[illegible]	2 (15%)
Apparel	8	1,032.0	903.6	[illegible]	0 (0%)
Furniture	1	2.6	15.9	[illegible]	0 (0%)
Paper, fiber and wood products	29	4,640.3	5,959.6	[illegible]	0 (0%)
Publishing, printing	13	1,881.8	1,809.8	[illegible]	0 (0%)
Chemicals	37	9,473.5	9,913.7	[illegible]	0 (0%)
Petroleum refining	40	66,435.7	48,928.7	[illegible]	0 (0%)
Rubber, plastic products	6	703.9	961.6	[illegible]	2 (33%)
Leather	1	87.2	88.0	[illegible]	0 (0%)
Glass, concrete, abrasives, gypsum	16	1,629.1	1,972.9	[illegible]	0 (0%)
Metal manufacturing	36	7,712.4	7,045.4	[illegible]	2 (6%)
Metal products	20	3,162.2	3,063.2	[illegible]	0 (0%)
Electronics, appliances	36	12,654.7	11,088.2	[illegible]	1 (3%)
Shipbuilding, railrd., trans. equip.	9	882.7	887.1	[illegible]	1 (11%)
Measuring, scient., photo equip.	15	6,886.2	6,074.5	[illegible]	0 (0%)
Motor vehicles	18	51.3	11,008.0	[illegible]	5 (28%)
Aerospace	14	4,884.9	4,697.4	[illegible]	0 (0%)
Pharmaceuticals	15	6,454.4	5,670.8	[illegible]	0 (0%)
Soaps, cosmetics	6	1,566.0	1,429.5	[illegible]	0 (0%)
Office equipment (incl. computers)	11	9,735.0	9,437.9	[illegible]	1 (9%)
Industrial & farm equipment	39	6,212.9	7,203.9	[illegible]	1 (3%)
Music instr., toys, sporting goods	5	290.7	387.2	[illegible]	0 (0%)
Broadcasting, motion picture prod., dist.	6	1,119.5	1,189.4	[illegible]	0 (0%)
Beverages	11	2,254.6	1,919.0	[illegible]	1 (9%)
BY FORTUNE 50 LARGEST NON-INDUSTRIAL GROUP					
Commercial banking	50	$ 8,516.5	$ 7,948.5	[illegible]	1 (2%)
Retailing	34	5,833.3	6,291.7	[illegible]	1 (3%)
Transportation	41	4,473.0	4,056.7	[illegible]	9 (22%)
Utilities	50	29,183.8	26,758.9	[illegible]	0 (0%)
	Total 175	$ 48,006.6	$ 45,055.8	[illegible]	11 (6%)

Number of Companies (Percent of Sample)							Average Pretax Profits Per Company ($ Millions)	
Decrease	Increase of 0-9.9%	Increase of 10-19.9%	Increase of 20-29.9%	Increase of 30-39.9%	Increase of 40-49.9%	Increase of 50% or More	1980	1979
26 (26%)	20 (20%)	18 (18%)	8 (8%)	9 (9%)	6 (6%)	7 (7%)	[illegible]	$1,091.3
43 (44%)	16 (16%)	16 (16%)	6 (6%)	9 (9%)	2 (2%)	3 (3%)	[illegible]	258.8
39 (41%)	19 (20%)	16 (17%)	11 (11%)	1 (1%)	2 (2%)	8 (8%)	[illegible]	140.0
36 (40%)	14 (16%)	13 (14%)	13 (14%)	4 (4%)	2 (2%)	5 (6%)	[illegible]	77.6
33 (38%)	12 (14%)	14 (16%)	8 (9%)	6 (7%)	5 (6%)	4 (5%)	[illegible]	51.6
177 (38%)	81 (17%)	77 (16%)	46 (10%)	29 (6%)	17 (4%)	27 (6%)	[illegible]	$ 336.8
0 (0%)	1 (8%)	1 (8%)	2 (17%)	1 (8%)	3 (25%)	4 (33%)	[illegible]	$ 489.9
11 (22%)	13 (27%)	10 (20%)	6 (12%)	3 (6%)	1 (2%)	5 (10%)	[illegible]	146.3
0 (0%)	1 (25%)	2 (50%)	1 (25%)	0 (0%)	0 (0%)	0 (0%)	[illegible]	682.2
9 (69%)	0 (0%)	0 (0%)	1 (8%)	0 (0%)	0 (0%)	1 (8%)	[illegible]	67.9
0 (0%)	2 (25%)	4 (50%)	1 (13%)	0 (0%)	0 (0%)	1 (13%)	[illegible]	113.0
1 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	[illegible]	15.9
19 (66%)	3 (10%)	5 (17%)	1 (3%)	1 (3%)	0 (0%)	0 (0%)	[illegible]	205.5
5 (38%)	3 (23%)	5 (38%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	[illegible]	139.2
19 (51%)	6 (16%)	4 (11%)	5 (14%)	1 (3%)	1 (3%)	1 (3%)	[illegible]	267.9
10 (25%)	3 (8%)	3 (8%)	3 (8%)	9 (23%)	6 (15%)	6 (15%)	[illegible]	1,223.2
3 (50%)	0 (0%)	0 (0%)	1 (17%)	0 (0%)	0 (0%)	0 (0%)	[illegible]	160.3
1 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	[illegible]	88.0
12 (75%)	2 (13%)	1 (6%)	1 (6%)	0 (0%)	0 (0%)	0 (0%)	[illegible]	123.3
20 (56%)	4 (11%)	3 (8%)	0 (0%)	2 (6%)	1 (3%)	4 (11%)	[illegible]	195.7
7 (35%)	7 (35%)	2 (10%)	2 (10%)	2 (10%)	0 (0%)	0 (0%)	[illegible]	153.2
11 (31%)	6 (17%)	9 (25%)	4 (11%)	1 (3%)	2 (6%)	2 (6%)	[illegible]	308.0
3 (33%)	0 (0%)	1 (11%)	2 (22%)	0 (0%)	1 (11%)	1 (11%)	[illegible]	98.6
0 (0%)	5 (33%)	5 (33%)	2 (13%)	2 (13%)	0 (0%)	1 (7%)	[illegible]	405.0
12 (67%)	0 (0%)	1 (6%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	[illegible]	611.6
8 (57%)	1 (7%)	1 (7%)	4 (29%)	0 (0%)	0 (0%)	0 (0%)	[illegible]	33 .5
0 (0%)	5 (33%)	7 (47%)	2 (13%)	1 (7%)	0 (0%)	0 (0%)	[illegible]	378.1
2 (33%)	1 (17%)	3 (50%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	[illegible]	238.3
2 (18%)	6 (55%)	0 (0%)	0 (0%)	2 (18%)	0 (0%)	0 (0%)	[illegible]	858.0
14 (36%)	10 (26%)	5 (13%)	4 (10%)	3 (8%)	1 (3%)	1 (3%)	[illegible]	184.7
3 (60%)	1 (20%)	0 (0%)	0 (0%)	1 (20%)	0 (0%)	0 (0%)	[illegible]	77.4
4 (67%)	0 (0%)	1 (17%)	1 (17%)	0 (0%)	0 (0%)	0 (0%)	[illegible]	198.2
1 (9%)	1 (9%)	4 (36%)	3 (27%)	0 (0%)	1 (9%)	0 (0%)	[illegible]	174.5
19 (38%)	8 (16%)	9 (18%)	8 (16%)	2 (4%)	0 (0%)	3 (6%)	[illegible]	$ 159.0
11 (32%)	11 (32%)	6 (18%)	2 (6%)	2 (6%)	1 (3%)	0 (0%)	[illegible]	185.1
11 (27%)	3 (7%)	6 (15%)	3 (7%)	1 (2%)	0 (0%)	8 (20%)	[illegible]	98.9
14 (28%)	11 (22%)	12 (24%)	4 (8%)	3 (6%)	3 (6%)	3 (6%)	[illegible]	535.2
55 (31%)	33 (19%)	33 (19%)	17 (10%)	8 (5%)	4 (2%)	14 (8%)	[illegible]	$ 258.9

The average company can pay its 1980 pension cost with a little more than one and a half months of pretax profits

4. Pension Cost as a Percent of Pretax Profits, 1980 and 1979

The material in this section combines the data from Exhibits 2 and 3 in order to measure the effect of a company's pension cost on its pretax profits. Because contributions to a tax-qualified plan are tax deductible, pretax profits rather than net profits are more significant comparatively and, as noted in the previous section, for the purposes of this study pretax profits *before* deduction of pension expense is used.

Exhibit 4 on page 20 and the graph at right show that pension cost as a percent of pretax profits was remarkably consistent from 1979 to 1980 for the Fortune 500 Industrials. In fact, this has been the case since 1977: The ratio of pension cost to pretax profits for the Industrials represented in our surveys has been 12.2 per cent for 1977, 12.5, 12.3, and 12.6 per cent for 1978, 1979, and 1980 respectively. For the Non-Industrials, the pension cost to pretax profits ratio has increased over the same period, from 13.2 per cent in 1977 to 13.3, 14.4, and 14.9 per cent in 1978, 1979, and 1980 respectively. For Industrials and Non-Industrials combined, the average company in this year's survey can pay its pension cost with a little more than one and one-half months of 1980 pretax profits, assuming profits emerge pro-rata over the year.

This overall consistency, however, disappears upon closer inspection of the various industry groups. As was discovered in the previous section, pretax profits plummeted for the motor vehicles group. Combining this fact with an 11.4 per cent increase in pension cost for this group (Exhibit 2) for a total contribution of $3.6 billion in 1980, pension cost as a percent of pretax profits translates into an amazing 6,976.6 per cent! If, however, we disregard the four largest automobile manufacturers, which incurred a staggering decline in earnings during 1980, a more generous ratio of 9.9 per cent develops among the remaining fourteen companies in the group. (During 1979 these same fourteen companies had a somewhat higher ratio of 10.8 per cent.)

The industry group having the second highest pension cost expressed as a percent of pretax profits was the furniture group; however, with one company represented, the resulting 84.6 per cent is not a reliable statistic for the general industry. The rubber and plastic products group of six companies was next highest at 55 per cent. At the other end of the scale were results similar to 1979 — namely, that the mining and crude oil production group has the lowest pension cost to pretax profits ratio: for 1980 this was 2.9 per cent, down from 4.2 per cent in 1979. Slightly higher both years are the petroleum refiners at 4.0 and 4.6 per cent for 1980 and 1979 respectively. The statistics for these last two groups mirror their relative standing among the industry groups for first and second highest increases in pretax profits (Exhibit 3). Overall, 59 per cent of the Fortune 500 Industrials had an increase in pension cost as a percent of pretax profits in 1980, 34 per cent enjoyed a decrease, for 4 per cent there was no change, and 2 per cent had a pretax loss. Forty-one per cent of the 470 Industrial companies had a pension cost which was less than 10 per cent of their pretax profits.

The Non-Industrials fared somewhat better, with 61 per cent of the 175 companies represented in our survey being able to pay their pension costs with less than 10 per cent of their pretax profits. Overall, 54 per cent of the Non-Industrials experienced an increase in their pension cost to pretax profits ratio, the ratio decreased for 37 per cent of the companies, no change for 3 per cent, and pretax losses for 5 per cent in 1980.

The transportation industry had the highest average ratio of the Non-Industrials, at 30.4 per cent in 1980, and the commercial banks were lowest at 6.2 per cent.

PENSION COST AS A PERCENT OF PRETAX PROFITS, 1980 AND 1979

Fortune 500 Companies
1980 Average: 12.6%
1979 Average: 12.3%

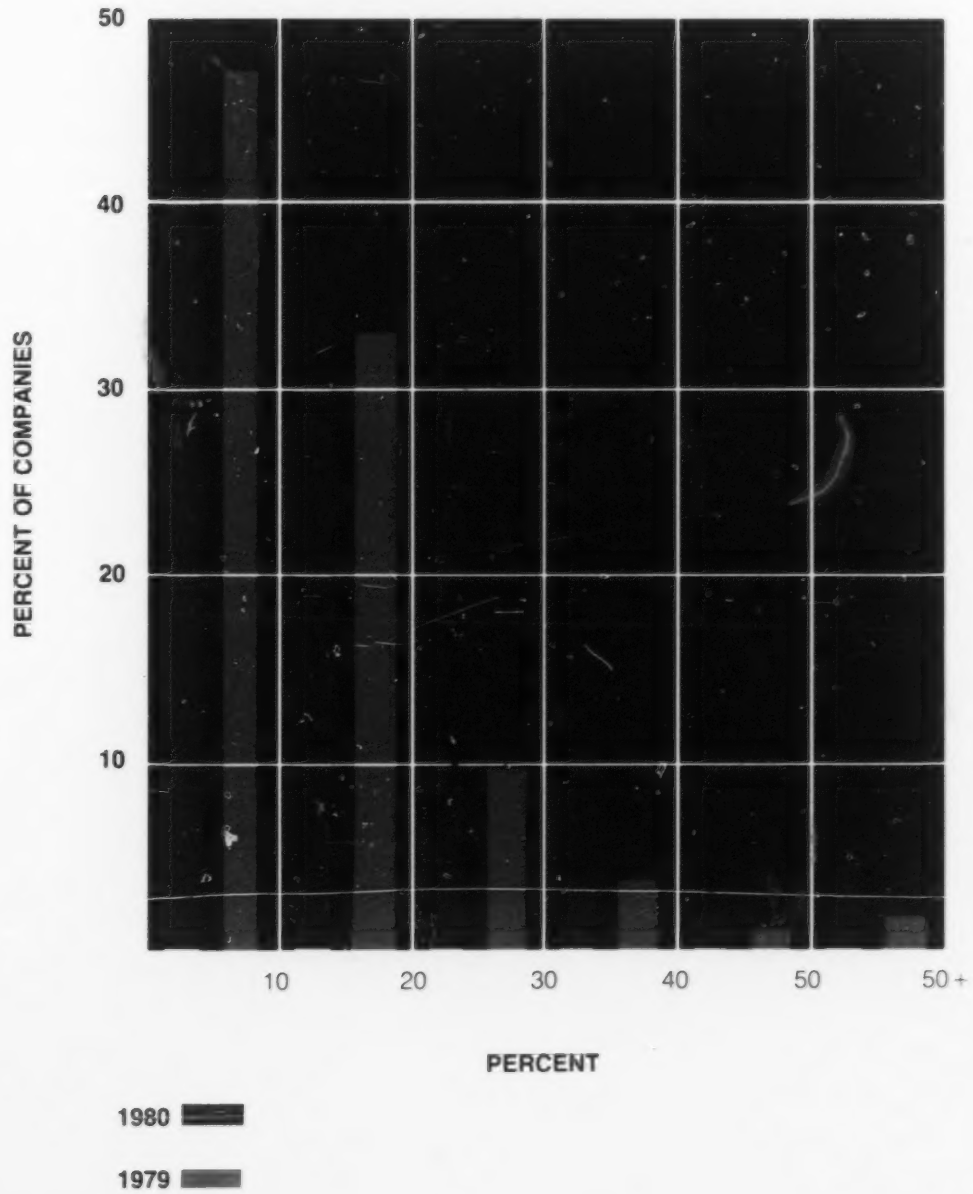

EXHIBIT 4 Pension Cost as a Percent of Pretax Profits, 1980 and 1979

	Number of Companies	Pension Cost as a Percent of Pretax Profits (Average) 1980	1979	.1%-9.9% 1980	1979	10%-19.9% 1980	1979	20%-29.9% 1980	1979
BY FORTUNE 500 INDUSTRIAL GROUP									
Fortune 1-100	99	[illegible]	12.7%	45 (45%)	46 (46%)	23 (23%)	22 (22%)	12 (12%)	15 (15%)
Fortune 101-200	98	[illegible]	12.0%	35 (36%)	43 (44%)	36 (37%)	41 (42%)	14 (14%)	11 (11%)
Fortune 201-300	96	[illegible]	10.9%	43 (45%)	45 (47%)	35 (36%)	38 (40%)	7 (7%)	7 (7%)
Fortune 301-400	90	[illegible]	11.3%	32 (36%)	45 (50%)	35 (39%)	26 (29%)	10 (11%)	11 (12%)
Fortune 401-500	87	[illegible]	10.6%	37 (43%)	44 (51%)	33 (38%)	30 (34%)	5 (6%)	5 (6%)
	Total 470	[illegible]	12.3%	192 (41%)	223 (47%)	162 (34%)	157 (33%)	48 (10%)	49 (10%)
BY INDUSTRY GROUP									
Mining, crude oil production	12	[illegible]	4.2%	11 (92%)	9 (75%)	1 (8%)	3 (25%)	0 (0%)	0 (0%)
Food	49	[illegible]	10.8%	22 (45%)	24 (49%)	18 (37%)	18 (37%)	4 (8%)	4 (8%)
Tobacco	4	[illegible]	7.0%	4 (100%)	4 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Textiles, vinyl flooring	13	[illegible]	13.5%	4 (31%)	7 (54%)	4 (31%)	4 (31%)	3 (23%)	1 (8%)
Apparel	8	[illegible]	8.1%	5 (63%)	5 (63%)	2 (25%)	2 (25%)	0 (0%)	0 (0%)
Furniture	1	[illegible]	26.4%	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (100%)
Paper, fiber and wood products	29	[illegible]	10.1%	11 (38%)	16 (55%)	15 (52%)	11 (38%)	3 (10%)	2 (7%)
Publishing, printing	13	[illegible]	8.5%	6 (46%)	9 (69%)	6 (46%)	3 (23%)	1 (8%)	1 (8%)
Chemicals	37	[illegible]	12.8%	14 (38%)	18 (49%)	15 (41%)	16 (43%)	3 (8%)	2 (5%)
Petroleum refining	40	[illegible]	4.6%	33 (83%)	36 (90%)	5 (13%)	4 (10%)	1 (3%)	0 (0%)
Rubber, plastic products	6	[illegible]	42.8%	0 (0%)	0 (0%)	0 (0%)	1 (17%)	1 (17%)	2 (33%)
Leather	1	[illegible]	9.7%	1 (100%)	1 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Glass, concrete, abrasives, gypsum	16	[illegible]	16.4%	4 (25%)	5 (31%)	3 (19%)	4 (25%)	3 (19%)	5 (31%)
Metal manufacturing	36	[illegible]	29.3%	7 (19%)	6 (17%)	11 (31%)	11 (31%)	5 (14%)	8 (22%)
Metal products	20	[illegible]	16.6%	5 (25%)	6 (30%)	12 (60%)	10 (50%)	2 (10%)	4 (20%)
Electronics, appliances	36	[illegible]	18.7%	13 (36%)	15 (42%)	15 (42%)	14 (39%)	5 (14%)	4 (11%)
Shipbuilding, railrd., trans. equip.	9	[illegible]	12.7%	2 (22%)	3 (33%)	5 (56%)	5 (56%)	1 (11%)	1 (11%)
Measuring, scient., photo equip.	15	[illegible]	11.6%	8 (53%)	7 (47%)	6 (40%)	6 (40%)	1 (7%)	0 (0%)
Motor vehicles	18	[illegible]	29.2%	1 (6%)	2 (11%)	3 (17%)	7 (39%)	4 (22%)	6 (33%)
Aerospace	14	[illegible]	25.6%	0 (0%)	1 (7%)	5 (36%)	4 (29%)	3 (21%)	4 (29%)
Pharmaceuticals	15	[illegible]	6.6%	13 (87%)	13 (87%)	2 (13%)	2 (13%)	0 (0%)	0 (0%)
Soaps, cosmetics	6	[illegible]	6.4%	5 (83%)	5 (83%)	1 (17%)	1 (17%)	0 (0%)	0 (0%)
Office equipment (incl. computers)	11	[illegible]	13.9%	3 (27%)	5 (45%)	5 (45%)	5 (45%)	0 (0%)	0 (0%)
Industrial & farm equipment	39	[illegible]	15.9%	8 (21%)	12 (31%)	22 (56%)	21 (54%)	6 (15%)	3 (8%)
Musical instr., toys, sporting goods	5	[illegible]	11.1%	1 (20%)	2 (40%)	1 (20%)	2 (40%)	2 (40%)	1 (20%)
Broadcasting, motion picture prod., distr.	6	[illegible]	5.2%	6 (100%)	6 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Beverages	11	[illegible]	8.7%	5 (45%)	6 (55%)	5 (45%)	3 (27%)	0 (0%)	0 (0%)
BY FORTUNE 50 LARGEST NON-INDUSTRIAL GROUP									
Commercial banking	50	[illegible]	6.0%	42 (84%)	43 (86%)	6 (12%)	6 (12%)	0 (0%)	0 (0%)
Retailing	34	[illegible]	13.5%	18 (53%)	17 (50%)	8 (24%)	12 (35%)	2 (6%)	1 (3%)
Transportation	41	[illegible]	28.8%	14 (34%)	11 (27%)	4 (10%)	5 (12%)	4 (10%)	8 (20%)
Utilities	50	[illegible]	14.8%	33 (66%)	37 (74%)	13 (26%)	12 (24%)	3 (6%)	1 (2%)
	Total 175	[illegible]	14.4%	107 (61%)	108 (62%)	31 (18%)	35 (20%)	9 (5%)	10 (6%)

Number of Companies (Percent of Sample)

30%-39.9%		40%-49.9%		50% or More		Company Had Pretax Loss; Percent Not Calculable		Companies where Pension Cost as a Percent of Pretax Profits		
								Increased	Decreased	No Change
1980	1979	1980	1979	1980	1979	1980	1979	1980	1980	1980
5 (5%)	10 (10%)	2 (2%)	2 (2%)	8 (8%)	2 (2%)	4 (4%)	2 (2%)	50 (51%)	38 (38%)	6 (6%)
5 (5%)	1 (1%)	3 (3%)	0 (0%)	4 (4%)	0 (0%)	1 (1%)	2 (2%)	61 (62%)	30 (31%)	4 (4%)
2 (2%)	3 (3%)	2 (2%)	2 (2%)	7 (7%)	1 (1%)	0 (0%)	0 (0%)	63 (66%)	28 (29%)	5 (5%)
5 (6%)	3 (3%)	2 (2%)	2 (2%)	4 (4%)	2 (2%)	2 (2%)	1 (1%)	54 (60%)	31 (34%)	2 (2%)
0 (0%)	3 (3%)	2 (2%)	1 (1%)	6 (7%)	3 (3%)	4 (5%)	1 (1%)	47 (54%)	31 (36%)	4 (5%)
17 (4%)	20 (4%)	11 (2%)	7 (1%)	29 (6%)	8 (2%)	11 (2%)	6 (1%)	275 (59%)	158 (34%)	21 (4%)
0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (8%)	10 (83%)	1 (8%)
1 (2%)	1 (2%)	1 (2%)	0 (0%)	3 (6%)	2 (4%)	0 (0%)	0 (0%)	27 (55%)	15 (31%)	7 (14%)
0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	2 (50%)	1 (25%)	1 (25%)
0 (0%)	0 (0%)	1 (8%)	0 (0%)	0 (0%)	0 (0%)	1 (8%)	1 (8%)	9 (69%)	2 (15%)	0 (0%)
0 (0%)	0 (0%)	1 (13%)	0 (0%)	0 (0%)	1 (13%)	0 (0%)	0 (0%)	3 (38%)	5 (63%)	0 (0%)
0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (100%)	0 (0%)	0 (0%)	0 (0%)	1 (100%)	0 (0%)	0 (0%)
0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	20 (69%)	7 (24%)	2 (7%)
0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	8 (62%)	4 (31%)	1 (8%)
3 (8%)	1 (3%)	0 (0%)	0 (0%)	2 (5%)	0 (0%)	0 (0%)	0 (0%)	26 (70%)	11 (30%)	0 (0%)
0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (3%)	0 (0%)	0 (0%)	0 (0%)	14 (35%)	25 (63%)	1 (3%)
1 (17%)	2 (33%)	1 (17%)	0 (0%)	2 (33%)	0 (0%)	1 (17%)	1 (17%)	3 (50%)	1 (17%)	0 (0%)
0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (100%)	0 (0%)
2 (13%)	1 (6%)	2 (13%)	1 (6%)	2 (13%)	0 (0%)	0 (0%)	0 (0%)	14 (88%)	2 (13%)	0 (0%)
1 (3%)	3 (8%)	3 (8%)	5 (14%)	8 (22%)	2 (6%)	1 (3%)	1 (3%)	23 (64%)	10 (28%)	1 (3%)
0 (0%)	0 (0%)	1 (5%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	11 (55%)	9 (45%)	0 (0%)
2 (6%)	2 (6%)	1 (3%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (3%)	22 (61%)	13 (36%)	0 (0%)
0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (11%)	0 (0%)	4 (44%)	4 (44%)	0 (0%)
0 (0%)	2 (13%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	6 (40%)	8 (53%)	1 (7%)
2 (11%)	2 (11%)	0 (0%)	0 (0%)	3 (17%)	0 (0%)	5 (28%)	1 (6%)	12 (67%)	1 (6%)	0 (0%)
2 (14%)	3 (21%)	0 (0%)	0 (0%)	4 (29%)	2 (14%)	0 (0%)	0 (0%)	10 (71%)	4 (29%)	0 (0%)
0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	6 (40%)	6 (40%)	3 (20%)
0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	6 (100%)	0 (0%)	0 (0%)
1 (9%)	0 (0%)	0 (0%)	1 (9%)	1 (9%)	0 (0%)	1 (9%)	0 (0%)	8 (73%)	2 (18%)	0 (0%)
1 (3%)	2 (5%)	0 (0%)	0 (0%)	1 (3%)	1 (3%)	1 (3%)	0 (0%)	26 (67%)	11 (28%)	1 (3%)
0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (20%)	0 (0%)	0 (0%)	0 (0%)	5 (100%)	0 (0%)	0 (0%)
0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	4 (67%)	2 (33%)	0 (0%)
1 (9%)	1 (9%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (9%)	4 (36%)	4 (36%)	2 (18%)
0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (2%)	0 (0%)	1 (2%)	1 (2%)	29 (58%)	19 (38%)	1 (2%)
3 (9%)	2 (6%)	1 (3%)	0 (0%)	2 (6%)	1 (3%)	0 (0%)	1 (3%)	24 (71%)	7 (21%)	2 (6%)
2 (5%)	1 (2%)	4 (10%)	4 (10%)	6 (15%)	7 (17%)	7 (17%)	5 (12%)	13 (32%)	19 (46%)	0 (0%)
1 (2%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	28 (56%)	19 (38%)	3 (6%)
6 (3%)	3 (2%)	5 (3%)	4 (2%)	9 (5%)	8 (5%)	8 (5%)	7 (4%)	94 (54%)	64 (37%)	6 (3%)

Fortune 500 companies experienced a decrease of 1.9 per cent in their workforces

5. Change in Number of Employees, 1980 and 1979

For the first time since this study has been published (going back to 1977 fiscal years), the number of workers employed at Fortune 500 Industrial corporations has, on average, declined. Data accumulated for 466 of the Fortune 500 Industrial companies show a *decrease* of 1.9 per cent in their workforces for fiscal year 1980. Prior year statistics, all reflecting a rise in employment, are: 1979, 3.7 per cent (475 companies); 1978, 4.8 per cent (474 companies); and 1977, 3.2 per cent (423 companies). This decline in employment is responsible, in some part, for the lower average increase in pension cost (see Exhibit 2, page 12) experienced by these same companies. Non-Industrial firms, however, continued to see an increase in employment, posting a 3 per cent rise in 1980 (169 companies); it is, however, lower than the 4.6 per cent increase that 171 of these companies reported in 1979. In total, the 635 corporations in this Exhibit employed 21.6 million people in 1980.

Note: The graph at right and Exhibit 5 on page 24 are intended to be used in conjunction with Exhibit 6, "Change in Pension Cost per Employee," page 28. Bear in mind that the figures given for number of employees will, in nearly every case, include employees who are not participants in pension plans. Likewise, 122 of the companies in this Exhibit have reported employees of their international subsidiaries in their employment figures. Even considering these two factors, however, the data illustrated in Exhibits 5 and 6 offer a usable benchmark of an average-per-employee pension plan cost borne by each employer. Only those companies for which employment figures were available for both 1979 and 1980 are included in this, and the following, Exhibit.

Exhibit 5 shows that more than one-half — 51 per cent — of the Fortune Industrial group of companies had fewer employees in 1980 than 1979. The Fortune 1-100 Industrial group experienced the biggest decline — down 2.5 per cent. This is partly due to the fact that the major auto-makers, which effected large labor cutbacks in 1980, fall into this group. Indeed, only one Industrial group — the Fortune 301-400-ranked firms — showed an increase in employment, and that was a slight .8 per cent. And, of those seven companies that experienced an increase of 40 per cent or more in employment, at least three disclosed in their annual reports that they acquired a firm. Number of employees per company for the entire Fortune Industrial group was, on average, 34,605 in 1980 versus 35,260 in 1979. Average employment per company ranged from 96,578 for the Fortune 1-100 group, to 8,017 for the Fortune 401-500 group.

By industry group, fifteen out of the 27 registered a decline, on average, in number of employees. Not surprisingly, the biggest loser was the motor vehicle industry. The eighteen companies in this group posted an average drop in employment of 16.5 per cent (only one company showed an increase — of 6.5 per cent) in 1980 as opposed to a .4 per cent decrease in 1979. The half-dozen rubber, plastic products companies were next with a drop of 12 per cent; employment in this group also went down in 1979, by 4.8 per cent. The musical instruments, toys, sporting goods industry also saw an average decrease in employment of more than 10 per cent; their drop of 11.3 per cent in 1980 compares with a .5 per cent increase in 1979. Of the remaining twelve industry groups that did not experience, on average, a decrease in employment, none had a greater increase in employment in 1980 than they did in 1979. The industry with the highest average change was apparel (eight companies), whose increase of 8.1 per cent in 1980 was slightly lower than the 8.7 per cent rise in 1979. Industry groups which showed wide variations in their change in number of employees from one year to the next included: mining, crude oil production — 1.3 per cent increase in 1980 versus 18.1 per cent in 1979 (twelve companies, both years); tobacco — 4.6 per cent rise in 1980 (four companies) versus 27.4 per cent in 1979 (five companies).

The industry group which counted the greatest average number of employees was the petroleum refining group, whose 39 firms employed an average of 79,229 people (last two columns, Exhibit 5). Prior Executive Reports showed the beleaguered motor vehicle group as the largest employer; however, in 1980, they dropped to third place, with an average employment of 62,120 employees (1979 employment figures were also restated by many companies in this group).

CHANGE IN NUMBER OF EMPLOYEES, 1980 FROM 1979
Fortune 500 Companies
Average Change: −1.9%

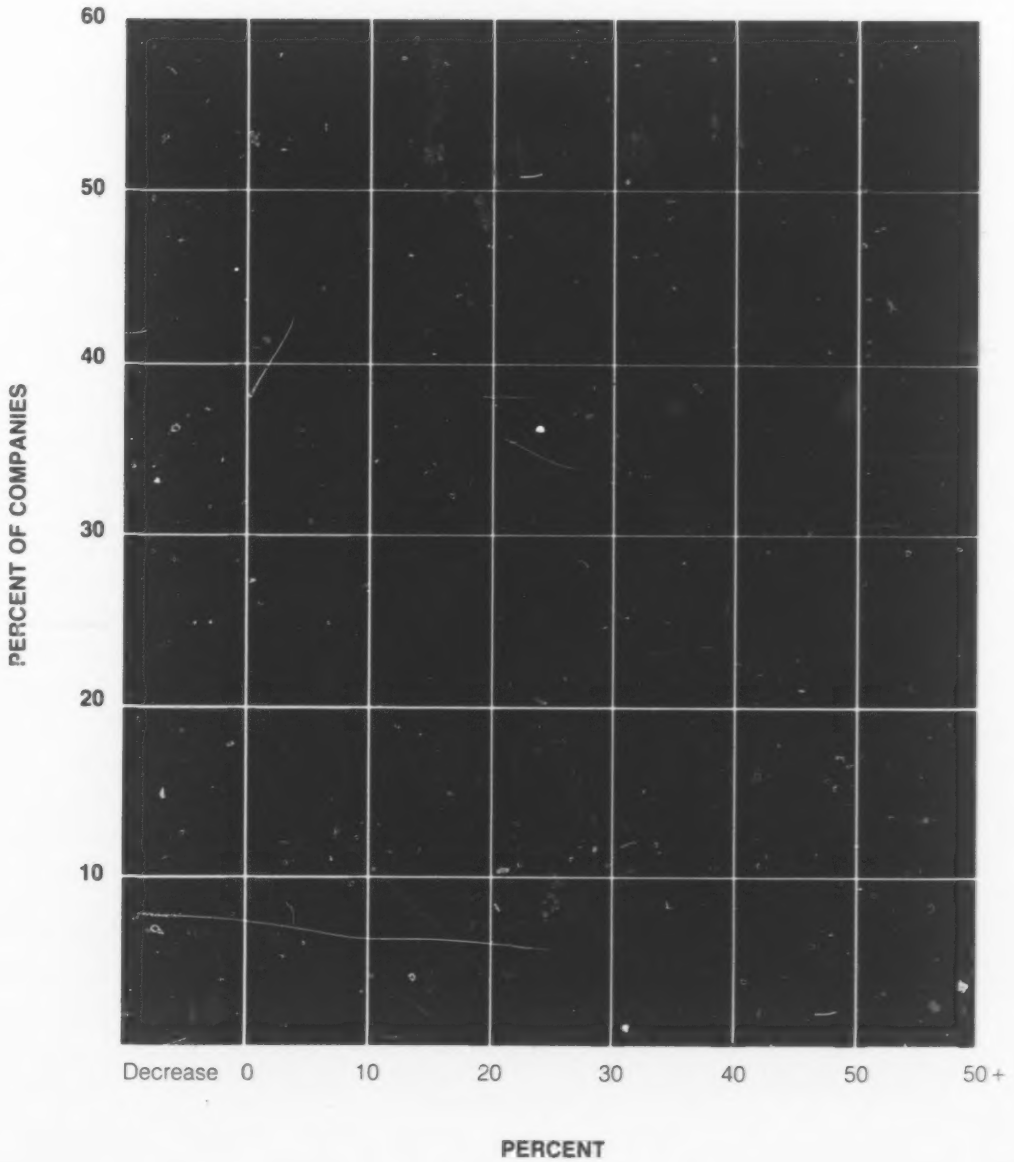

EXHIBIT 5 Change in Number of Employees, 1980 from 1979

	Number of Companies	Number of Employees 1980	1979	Average Change	Decrease
BY FORTUNE 500 INDUSTRIAL GROUP					
Fortune 1-100	99	9,561,292	9,810,191	[illegible]	50 (51%)
Fortune 101-200	97	3,210,576	3,252,556	[illegible]	50 (52%)
Fortune 201-300	95	1,632,088	1,641,604	[illegible]	56 (59%)
Fortune 301-400	88	1,024,541	1,016,575	[illegible]	37 (42%)
Fortune 401-500	87	697,482	710,432	[illegible]	45 (52%)
	Total 466	16,125,979	16,431,358	[illegible]	238 (51%)
BY INDUSTRY GROUP					
Mining, crude oil production	12	136,316	134,568	[illegible]	3 (25%)
Food	48	1,251,176	1,248,646	[illegible]	19 (40%)
Tobacco	4	221,973	212,177	[illegible]	1 (25%)
Textiles, vinyl flooring	13	286,931	301,305	[illegible]	9 (69%)
Apparel	7	210,886	195,156	[illegible]	1 (14%)
Furniture	1	15,517	16,350	[illegible]	1 (100%)
Paper, fiber, and wood products	29	542,968	564,713	[illegible]	20 (69%)
Publishing, printing	13	178,302	170,108	[illegible]	3 (23%)
Chemicals	37	811,118	814,547	[illegible]	20 (54%)
Petroleum refining	39	3,089,939	3,063,843	[illegible]	8 (21%)
Rubber, plastic products	6	352,023	400,125	[illegible]	6 (100%)
Leather	1	25,000	26,000	[illegible]	1 (100%)
Glass, concrete, abrasives, gypsum	16	290,060	304,470	[illegible]	12 (75%)
Metal manufacturing	36	943,654	993,834	[illegible]	25 (69%)
Metal products	20	505,254	530,737	[illegible]	15 (75%)
Electronics, appliances	36	1,945,657	1,951,122	[illegible]	17 (47%)
Shipbuilding, railrd., trans. equip.	8	144,578	149,982	[illegible]	5 (63%)
Measuring, scient., photo equip.	15	496,019	479,813	[illegible]	6 (40%)
Motor vehicles	18	1,118,162	1,339,728	[illegible]	17 (94%)
Aerospace	14	757,242	738,381	[illegible]	5 (36%)
Pharmaceuticals	15	503,803	497,956	[illegible]	4 (27%)
Soaps, cosmetics	6	136,009	131,279	[illegible]	3 (50%)
Office equipment (incl. computers)	11	835,964	815,260	[illegible]	2 (18%)
Industrial & farm equipment	39	907,439	932,038	[illegible]	26 (67%)
Musical instr., toys, sporting goods	5	82,498	92,952	[illegible]	4 (80%)
Broadcasting, motion picture prod., distr.	6	81,723	84,793	[illegible]	4 (67%)
Beverages	11	255,768	241,475	[illegible]	1 (9%)
BY FORTUNE 50 LARGEST NON-INDUSTRIAL GROUP					
Commercial banking	50	542,079	515,454	[illegible]	2 (4%)
Retailing	31	2,430,438	2,275,211	[illegible]	9 (29%)
Transportation	39	775,860	799,542	[illegible]	21 (54%)
Utilities	49	1,770,006	1,767,699	[illegible]	8 (16%)
	Total 169	5,518,383	5,357,906	[illegible]	40 (24%)

Number of Companies (Percent of Sample)						Average Number of Employees per Company	
Increase of 0-9.9%	Increase of 10-19.9%	Increase of 20-29.9%	Increase of 30-39.9%	Increase of 40-49.9%	Increase of 50% or More	1980	1979
41 (41%)	6 (6%)	1 (1%)	1 (1%)	0 (0%)	0 (0%)		99,092
34 (35%)	10 (10%)	3 (3%)	0 (0%)	0 (0%)	0 (0%)		33,531
29 (31%)	8 (8%)	0 (0%)	1 (1%)	0 (0%)	1 (1%)		17,280
40 (45%)	6 (7%)	1 (1%)	1 (1%)	2 (2%)	1 (1%)		11,552
27 (31%)	6 (7%)	4 (5%)	2 (2%)	1 (1%)	2 (2%)		8,165
171 (37%)	36 (8%)	9 (2%)	5 (1%)	3 (1%)	4 (1%)		35,260
5 (42%)	3 (25%)	0 (0%)	0 (0%)	1 (8%)	0 (0%)		11,214
21 (44%)	5 (10%)	1 (2%)	1 (2%)	0 (0%)	1 (2%)		26,013
2 (50%)	1 (25%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)		53,044
4 (31%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)		23,177
4 (57%)	2 (29%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)		27,879
0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)		16,350
9 (31%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)		19,472
7 (54%)	3 (23%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)		13,085
14 (38%)	3 (8%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)		22,014
24 (62%)	3 (8%)	2 (5%)	1 (3%)	0 (0%)	1 (3%)		78,560
0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)		66,687
0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)		26,000
3 (19%)	0 (0%)	1 (6%)	0 (0%)	0 (0%)	0 (0%)		19,029
9 (25%)	1 (3%)	0 (0%)	1 (3%)	0 (0%)	0 (0%)		27,606
4 (20%)	0 (0%)	1 (5%)	0 (0%)	0 (0%)	0 (0%)		26,536
12 (33%)	5 (14%)	1 (3%)	0 (0%)	1 (3%)	0 (0%)		54,197
0 (0%)	1 (13%)	2 (25%)	0 (0%)	0 (0%)	0 (0%)		18,747
7 (47%)	2 (13%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)		31,987
1 (6%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)		74,429
7 (50%)	1 (7%)	0 (0%)	0 (0%)	1 (7%)	0 (0%)		52,741
10 (67%)	1 (7%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)		33,197
1 (17%)	2 (33%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)		21,879
8 (73%)	0 (0%)	1 (9%)	0 (0%)	0 (0%)	0 (0%)		74,114
8 (21%)	2 (5%)	0 (0%)	1 (3%)	0 (0%)	2 (5%)		23,898
1 (20%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)		18,590
1 (17%)	1 (17%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)		14,132
9 (82%)	0 (0%)	0 (0%)	1 (9%)	0 (0%)	0 (0%)		21,952
40 (80%)	6 (12%)	1 (2%)	0 (0%)	0 (0%)	1 (2%)		10,309
16 (52%)	2 (6%)	0 (0%)	1 (3%)	0 (0%)	3 (10%)		73,393
13 (33%)	2 (5%)	0 (0%)	1 (3%)	0 (0%)	2 (5%)		20,501
35 (71%)	6 (12%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)		36,075
104 (62%)	16 (9%)	1 (1%)	2 (1%)	0 (0%)	6 (4%)		31,703

Average pension cost per employee was $1,329 for Industrial firms, $1,279 for Non-Industrials

6. Change in Pension Cost per Employee, 1980 from 1979

Exhibit 5 (page 24) showed that the average change in number of employees for Fortune 500 Industrial firms was a decrease of 1.9 per cent in 1980. The average increase in pension cost for this same group was 10.1 per cent (Exhibit 2, page 12). While the decline in employment led, in part, to a lower increase in pension cost in 1980, the change in pension cost per employee was an increase of 12.1 per cent — highest since publication of this survey three years ago. Thus, since fewer employees were covered, the pension cost dollars that were spent would lead to their higher concentration per remaining employees. The Non-Industrial companies, with a 3 per cent increase in employees in 1980, had an average pension cost increase of 10.5 per cent — both higher than their Industrial neighbors. This led to a lower increase in pension cost per employee: 7.4 per cent, the lowest recorded thus far for this group of companies.

By industry group, the motor vehicle manufacturers chalked up the greatest increase in pension cost per employee — its 33.4 per cent rise reflected a pension cost increase of 11.4 per cent, coupled with a 16.5 per cent decline in employment. Not surprisingly, average pension cost per employee was highest for this group, also, at $3,200 (last two columns, Exhibit 6, page 28). Second highest was the shipbuilding, railroad, transportation equipment group with a 19.2 per cent increase. This industry, too, had a decrease in employment (−3.6 per cent), accompanied by a higher-than-average rise in pension cost (14.7 per cent). Non-Industrial transportation companies shared the same circumstances: their 20.5 per cent increase in pension cost per employee — highest for Non-Industrial groups — reflected a 3 per cent drop in employees and a 16.1 per cent increase in pension cost.

Of the industry groups where the number of companies was significant, two had a decrease in pension cost per employee in 1980. They were the apparel group, −5.8 per cent, whose 8.1 per cent increase in number of employees was juxtaposed against a small 1.8 per cent rise in pension cost; and mining and crude oil production, −1 per cent change in pension cost per employee (1.3 per cent increase in number of employees, .3 per cent rise in pension cost).

Average pension cost per employee reached $1,329 for Industrial companies in 1980 and a slightly smaller $1,279 for a Non-Industrial employee. In fact, fourteen of the 27 industry groups, which together employ 9.9 million workers, had an average pension cost per employee of more than $1,000. Aside from the motor vehicle group mentioned above, next highest average pension cost per employee was experienced by the Non-Industrial utilities: $2,421 per employee (average increase of 8.3 per cent). Third highest average pension cost per employee was $2,228, by the metal manufacturing industry (7.3 per cent average increase). Average pension cost per employee for the retailing group — $386 (5 per cent increase) — continues to be low due to the number of part-time and/or seasonal workers included in their employment count but who may not be covered by any pension plan.

Individually, 71 Fortune 500 Industrial companies, or 15 per cent of the sample of 466 in this Exhibit, had an average pension cost per employee of more than $2,000 in 1980 (nearly double the 37 out of 474 companies in 1979). Forty-six Non-Industrial companies (27 per cent of 169 firms) topped the $2,000 mark; of these, 28 — more than half — were utilities and sixteen were airline transportation companies.

CHANGE IN PENSION COST PER EMPLOYEE, 1980 FROM 1979

Fortune 500 Companies

Average Change: 12.1%

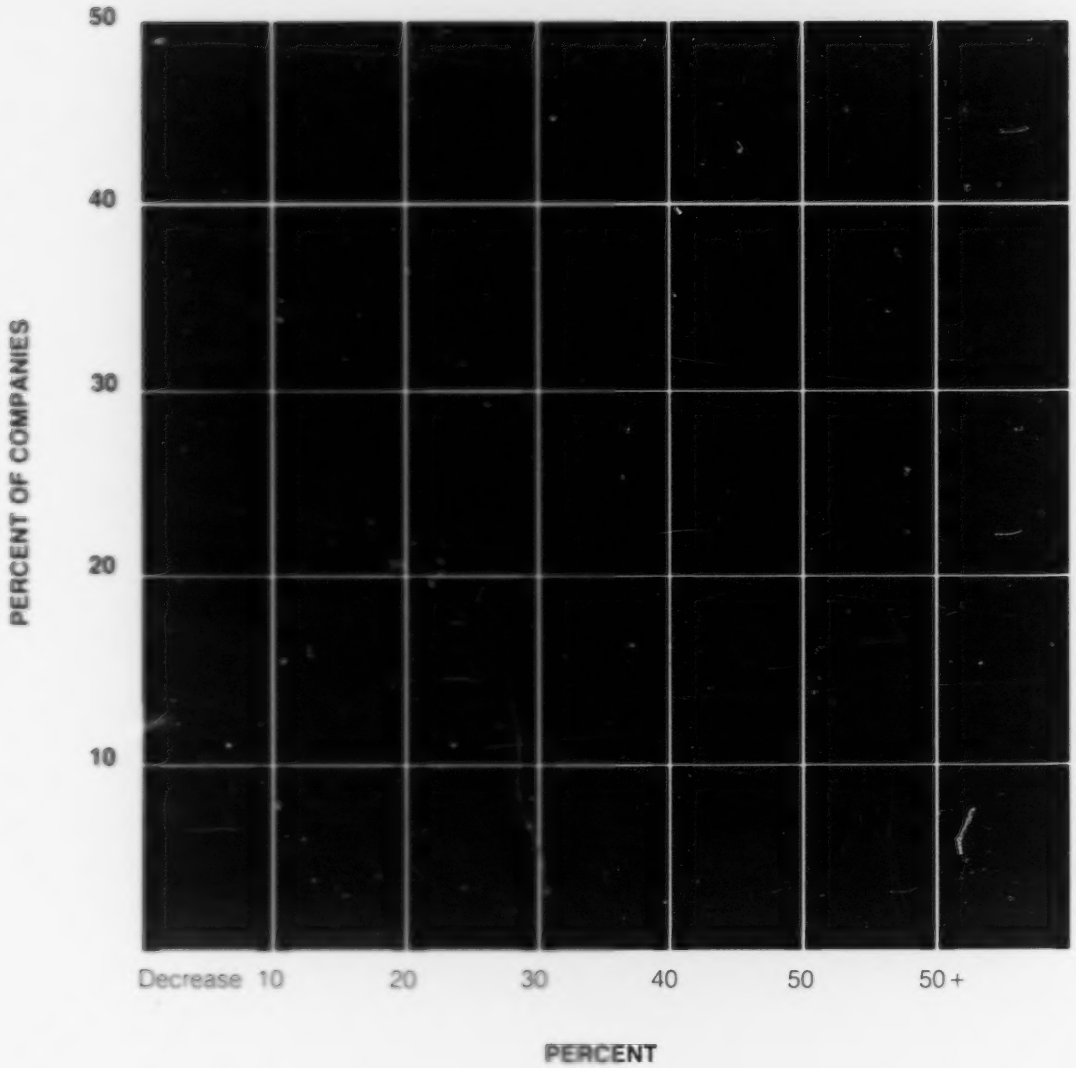

EXHIBIT 6 Change in Pension Cost per Employee, 1980 from 1979

	Number of Companies	Average Change per Employee	Decrease	Increase of 0-9.9%
BY FORTUNE 500 INDUSTRIAL GROUP				
Fortune 1-100	99		19 (19%)	26 (26%)
Fortune 101-200	97		17 (18%)	25 (26%)
Fortune 201-300	95		14 (15%)	29 (31%)
Fortune 301-400	88		17 (19%)	21 (24%)
Fortune 401-500	87		19 (22%)	16 (18%)
	Total 466		86 (18%)	117 (25%)
BY INDUSTRY GROUP				
Mining, crude oil production	12		6 (50%)	3 (25%)
Food	48		10 (21%)	14 (29%)
Tobacco	4		0 (0%)	2 (50%)
Textiles, vinyl flooring	13		3 (23%)	5 (38%)
Apparel	7		2 (29%)	3 (43%)
Furniture	1		1 (100%)	0 (0%)
Paper, fiber and wood products	29		9 (31%)	4 (14%)
Publishing, printing	13		2 (15%)	3 (23%)
Chemicals	37		5 (14%)	13 (35%)
Petroleum refining	39		10 (26%)	7 (18%)
Rubber, plastic products	6		1 (17%)	2 (33%)
Leather	1		1 (100%)	0 (0%)
Glass, concrete, abrasives, gypsum	16		3 (19%)	4 (25%)
Metal manufacturing	36		5 (14%)	13 (36%)
Metal products	20		1 (5%)	8 (40%)
Electronics, appliances	36		9 (25%)	6 (17%)
Shipbuilding, railrd., trans. equip.	8		0 (0%)	1 (13%)
Measuring, scient., photo equip.	15		4 (27%)	0 (0%)
Motor vehicles	18		2 (11%)	2 (11%)
Aerospace	14		4 (29%)	5 (36%)
Pharmaceuticals	15		1 (7%)	4 (27%)
Soaps, cosmetics	6		0 (0%)	1 (17%)
Office equipment (incl. computers)	11		1 (9%)	3 (27%)
Industrial & farm equipment	39		1 (3%)	9 (23%)
Musical instr., toys, sporting goods	5		2 (40%)	0 (0%)
Broadcasting, motion picture prod., dist.	6		0 (0%)	2 (33%)
Beverages	11		3 (27%)	3 (27%)
BY FORTUNE 50 LARGEST NON-INDUSTRIAL GROUP				
Commercial banking	50		10 (20%)	19 (38%)
Retailing	31		9 (29%)	10 (32%)
Transportation	39		5 (13%)	7 (18%)
Utilities	49		9 (18%)	19 (39%)
	Total 169		33 (20%)	55 (33%)

Number of Companies (Percent of Sample)

Increase of 10-19.9%	Increase of 20-29.9%	Increase of 30-39.9%	Increase of 40-49.9%	Increase of 50% or More	Average Cost Per Employee (in Dollars) 1980	1979
35 (35%)	12 (12%)	4 (4%)	0 (0%)	3 (3%)	[illegible]	$1,399
29 (30%)	18 (19%)	4 (4%)	0 (0%)	4 (4%)	[illegible]	937
35 (37%)	6 (6%)	7 (7%)	1 (1%)	3 (3%)	[illegible]	886
26 (30%)	10 (11%)	7 (8%)	2 (2%)	5 (6%)	[illegible]	758
24 (28%)	16 (18%)	8 (9%)	2 (2%)	2 (2%)	[illegible]	671
149 (32%)	62 (13%)	30 (6%)	5 (1%)	17 (4%)	[illegible]	$1,185
2 (17%)	0 (0%)	0 (0%)	1 (8%)	0 (0%)	[illegible]	$1,822
13 (27%)	6 (13%)	3 (6%)	0 (0%)	2 (4%)	[illegible]	607
1 (25%)	1 (25%)	0 (0%)	0 (0%)	0 (0%)	[illegible]	896
0 (0%)	1 (8%)	3 (23%)	1 (8%)	0 (0%)	[illegible]	394
0 (0%)	1 (14%)	1 (14%)	0 (0%)	0 (0%)	[illegible]	340
0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	[illegible]	256
10 (34%)	3 (10%)	3 (10%)	0 (0%)	0 (0%)	[illegible]	1,061
7 (54%)	0 (0%)	1 (8%)	0 (0%)	0 (0%)	[illegible]	902
12 (32%)	2 (5%)	3 (8%)	1 (3%)	1 (3%)	[illegible]	1,563
14 (36%)	4 (10%)	3 (8%)	0 (0%)	1 (3%)	[illegible]	740
3 (50%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	[illegible]	1,028
0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	[illegible]	326
3 (19%)	2 (13%)	2 (13%)	1 (6%)	1 (6%)	[illegible]	1,065
11 (31%)	6 (17%)	1 (3%)	0 (0%)	0 (0%)	[illegible]	2,077
7 (35%)	4 (20%)	0 (0%)	0 (0%)	0 (0%)	[illegible]	958
14 (39%)	4 (11%)	0 (0%)	0 (0%)	3 (8%)	[illegible]	1,063
3 (38%)	1 (13%)	2 (25%)	0 (0%)	1 (13%)	[illegible]	666
10 (67%)	1 (7%)	0 (0%)	0 (0%)	0 (0%)	[illegible]	1,470
5 (28%)	6 (33%)	0 (0%)	1 (6%)	2 (11%)	[illegible]	2,399
4 (29%)	0 (0%)	1 (7%)	0 (0%)	0 (0%)	[illegible]	1,629
6 (40%)	4 (27%)	0 (0%)	0 (0%)	0 (0%)	[illegible]	748
2 (33%)	3 (50%)	0 (0%)	0 (0%)	0 (0%)	[illegible]	695
4 (36%)	2 (18%)	0 (0%)	0 (0%)	1 (9%)	[illegible]	1,604
12 (31%)	9 (23%)	6 (15%)	0 (0%)	2 (5%)	[illegible]	1,225
0 (0%)	0 (0%)	1 (20%)	0 (0%)	2 (40%)	[illegible]	460
3 (50%)	1 (17%)	0 (0%)	0 (0%)	0 (0%)	[illegible]	727
3 (27%)	1 (9%)	0 (0%)	0 (0%)	1 (9%)	[illegible]	687
15 (30%)	2 (4%)	1 (2%)	2 (4%)	1 (2%)	[illegible]	$ 920
8 (26%)	1 (3%)	1 (3%)	1 (3%)	1 (3%)	[illegible]	368
14 (36%)	5 (13%)	2 (5%)	2 (5%)	4 (10%)	[illegible]	1,399
11 (22%)	8 (16%)	1 (2%)	1 (2%)	0 (0%)	[illegible]	2,235
48 (28%)	16 (9%)	5 (3%)	6 (4%)	6 (4%)	[illegible]	$1,191

For the Fortune 100 group, pension cost equalled 9 per cent of wages and salaries

7. Pension Cost as a Percent of Wages and Salaries, 1980 and 1979

The analysis in this section, as in previous years, is more limited in scope than for the other sections of this report because so few companies disclose payroll information in their annual reports to shareholders. Hence, for Exhibit 7 on page 32, there are not enough companies represented to further define them all by industry category, nor were there enough retailing firms included to allow us to present meaningful statistics for that Non-Industrial category. Details regarding various industry groups are, however, included in the text below. Note, also, that the wages and salaries figures, reflected in the graph at right and Exhibit 7, include the cost of employee benefits for 179 Industrial and Non-Industrial companies, and include the cost of foreign employees' wages and salaries for 59 Industrial and Non-Industrial companies. Thus the statistics in the section may be understated. In view of the large amounts spent on wages and salaries, whether or not employee benefits are included, comparison of these figures with pension cost appears nonetheless to be a meaningful and significant statistic. Pension cost figures presented in this section reflect only those companies which also disclosed wages and salaries.

The 175 Industrial companies included in Exhibit 7 paid $162.8 billion in wages and salaries in 1980. For the 172 companies which reported information for both years, the average payroll increase over 1979 was 7.4 per cent. Pension cost, on average, increased at a more rapid pace for the companies represented here than did wages and salaries, bringing the average pension cost as a percent of wages and salaries from 1979's 7.9 per cent up to 8.1 per cent for 1980. Like 1979, the Fortune-ranked 1-100 group was both better represented in 1980 (65 companies) and incurred a significantly higher pension cost as a percent of wages and salaries than did each of the groups of lower-ranked companies. For the Fortune 100 group the average percent in 1980 was 9.0 in contrast to a range of 5 to 5.8 per cent for the groups of lower-ranked companies.

Seven industry groups had at least ten companies represented. Of these, the highest pension cost to payroll ratio was realized by the petroleum refiners, at 10.3 per cent (this group was also highest in last year's analysis). Not far below that level were the metal manufacturers at 9.9 per cent. The lowest pension cost vis-a-vis payroll expense during 1980 was an average 4.6 per cent for nineteen companies in the food industry. The highest pension cost as a percent of wages and salaries for an Industrial company was 19.6 per cent; not surprisingly, this company was a member of the motor vehicles group.

The average Non-Industrial saw no change from 1979 in the portion of payroll expense represented by pension cost, that being 7.1 per cent for both 1979 and 1980. Although the 93 companies in the Non-Industrial categories had lower average pension costs relative to their wages and salaries than the average Industrial firm, the utilities were an exception, with pension costs equalling 12.9 per cent of their 1980 wages and salaries. The 50 commercial banking companies were lowest, with a ratio of pension costs to wages and salaries of 5.6 per cent. The highest pension cost expressed as a percent of wages and salaries for a Non-Industrial was 20.3 per cent.

PENSION COST AS A PERCENT OF WAGES AND SALARIES, 1980 AND 1979

Fortune 500 Companies
1980 Average: 8.1%
1979 Average: 7.9%

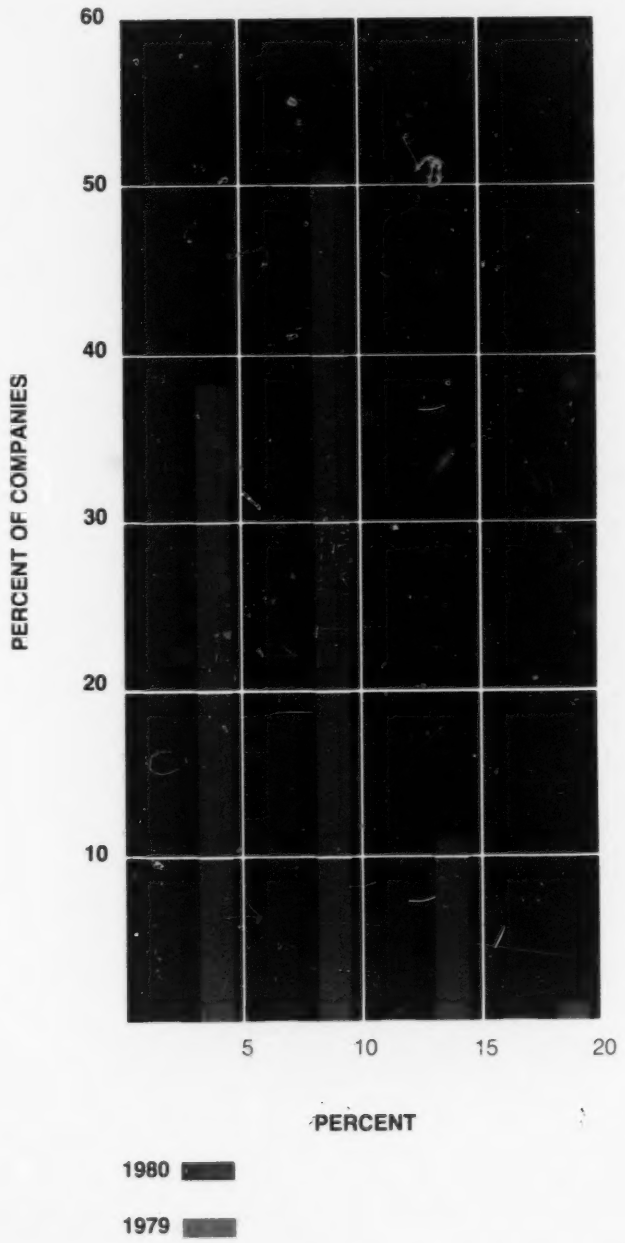

EXHIBIT 7 Pension Cost as a Percent of Wages and Salaries, 1980 from 1979

	Number of Companies		Pension Cost ($ Millions)		Wages & Salaries ($ Millions)		Pension Cost as a Percent of Wages & Salaries	
	1980	1979	1980	1979	1980	1979	1980	1979
BY FORTUNE 500 INDUSTRIAL GROUP								
Fortune 1-100	65	69	$10,756.1	$11,052.0	$118,890.9	$127,546.0	9.0%	8.7%
Fortune 101-200	33	36	1,289.6	1,369.5	22,297.0	23,098.4	5.8%	5.9%
Fortune 201-300	36	39	731.3	712.5	13,632.0	13,041.5	5.4%	5.5%
Fortune 301-400	22	26	290.7	312.0	5,172.8	5,820.9	5.6%	5.4%
Fortune 401-500	19	20	143.5	143.3	2,852.5	2,856.3	5.0%	5.0%
	Total 175	190	$13,211.2	$13,589.3	$162,845.2	$172,363.1	8.1%	7.9%
BY FORTUNE 50 LARGEST NON-INDUSTRIAL GROUP								
Commercial banking	50	50	$ 525.5	$ 474.4	$ 9,365.1	$ 8,044.1	5.6%	5.9%
Transportation	25	25	1,157.8	989.0	17,488.0	15,624.4	6.2%	6.3%
Utilities	18	21	473.8	482.8	3,677.3	3,683.0	12.9%	13.1%
	Total 93	96	$ 2,157.1	$ 1,946.2	$30,530.4	$27,351.5	7.1%	7.1%

Number of Companies (Percent of Sample)

Pension Cost = .1-4.9% of Wages & Salaries		Pension Cost = 5-9.9% of Wages & Salaries		Pension Cost = 10-14.9% of Wages & Salaries		Pension Cost = 15-19.9% of Wages & Salaries		Pension Cost = 20% or More of Wages & Salaries	
1980	1979	1980	1979	1980	1979	1980	1979	1980	1979
18 (28%)	16 (23%)	35 (54%)	36 (52%)	8 (12%)	16 (23%)	4 (6%)	1 (1%)	0 (0%)	0 (0%)
12 (36%)	14 (39%)	20 (61%)	20 (56%)	0 (0%)	1 (3%)	1 (3%)	1 (3%)	0 (0%)	0 (0%)
19 (53%)	17 (44%)	15 (42%)	20 (51%)	2 (6%)	2 (5%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
10 (45%)	14 (54%)	10 (45%)	12 (46%)	2 (9%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
10 (53%)	11 (55%)	8 (42%)	8 (40%)	1 (5%)	1 (5%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
69 (39%)	72 (38%)	88 (50%)	96 (51%)	13 (7%)	20 (11%)	5 (3%)	2 (1%)	0 (0%)	0 (0%)
19 (38%)	19 (38%)	29 (58%)	29 (58%)	1 (2%)	1 (2%)	1 (2%)	1 (2%)	0 (0%)	0 (0%)
7 (28%)	8 (32%)	15 (60%)	15 (60%)	3 (12%)	2 (8%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
0 (0%)	0 (0%)	6 (33%)	7 (33%)	7 (39%)	11 (52%)	4 (22%)	2 (10%)	1 (6%)	1 (5%)
26 (28%)	27 (28%)	50 (54%)	51 (53%)	11 (12%)	14 (15%)	5 (5%)	3 (3%)	1 (1%)	1 (1%)

Average interest assumptions used to value plan benefits were 7.19 per cent for Industrials, 6.98 per cent for Non-Industrials

8. Net Assets as a Percent of Total Vested Benefits, 1980

INTRODUCTION AND EXPLANATION

The information presented in Exhibit 8 (page 36) this year differs markedly from that in prior years, due to the fact that the Financial Accounting Standards Board (FASB) Statement No. 36 (FAS-36), "Disclosure of Pension Information" in corporate annual reports, became effective for fiscal years beginning after December 15, 1979. Five hundred and fifty-four Fortune-ranked companies in this study complied with that Statement for their 1980 fiscal years.

FAS-36 requires the disclosure of a plan's actuarial present value of vested accumulated and nonvested accumulated benefits; net assets available for benefits; the interest assumption applied to determine benefits; and the benefit valuation date. Total vested benefits measured by the new FAS-36 standards will be lower than under measurements used in prior years because the rules of the FASB imply the use of a higher interest assumption. With these thoughts in mind, the results from Exhibit 8 are presented below.

Note: Only those companies which were required to comply with FAS-36 are included in this Exhibit. Eighty-four of the 470 Fortune 500 Industrial corporations included in this Executive Report had non-calendar 1980 fiscal years, and thus were not required to report pension plan data á la FAS-36. Seven of the 175 Non-Industrial companies in this Report are not represented here for the same reason.

DATA

The information on pages 36 and 37 is broken out into three groups — 1) those companies whose pension plans' net assets available to pay benefits equal or exceed their plans' accumulated vested benefits (i.e., 100 per cent or more funded), 2) those where the value of vested benefits exceeds net assets (i.e., less than 100 per cent funded), and 3) an average net assets-to-vested benefits figure, combining groups 1 and 2 above.

After applying FAS-36 rules, 57 per cent (222 companies) of the 386 Fortune 500 Industrial companies had net assets equal to or greater than vested benefits — that is, they showed no liabilities for vested benefits. The average funded status of this group was a high 121.1 per cent! Seventy-two per cent (122 companies) of the 168 Non-Industrial corporations shared their lot, with net assets equal to 124.9 per cent of vested benefits. Last year's Executive Report for 1979 fiscal years showed that, of 432 Industrial companies which reported data pre-FAS-36, 26 per cent were 100 per cent or more funded — less than half, percentage-wise, than those claiming such in 1980. Fifty-one per cent of 139 Non-Industrials were similarly fully funded for 1979 fiscal years.

To further illustrate the changes which FAS-36 measurement has wrought, 24 per cent and 41 per cent, respectively, of all the Fortune Industrial and Non-Industrial companies included here had their vested benefits at least 125 per cent funded. Included in these were 42 Fortune Industrial and 34 Non-Industrial companies where net assets topped vested benefits by more than 150 per cent.

Where vested benefits were greater than net assets — that is, not fully funded — the pension plans involved exhibited a high degree of funding: The 164 (43 per cent) Fortune 500 Industrial firms in this position were, on average, 80.7 per cent funded; 46 (28 per cent) Non-Industrial companies were 79.7 per cent funded.

The second last column in Exhibit 8 combines both the over-and underfunded groups to arrive at an average net assets-to-vested benefits figure for all companies in the Exhibit. This average has

been adjusted to take into consideration the 344 overfunded plans by limiting their assets to 100 per cent of vested benefits. This has the effect of lowering the average and thus more accurately reflecting the aggregate degree of funding of plans. Thus, for the total 386 Fortune 500 Industrial companies, net assets equalled, on average, 91 per cent of vested benefits. Non-Industrial corporations came in slightly higher — 94.8 per cent for the 168 companies in that group. The unadjusted figures would have been 102.2 per cent and 113.4 per cent respectively, for both Industrial and Non-Industrial corporations.

It is interesting to note that the average interest assumptions used by both groups — those where net assets equalled 100 per cent or more of vested benefits and those where they were less than 100 per cent — did not differ significantly. The average interest rate applied by the 100 per cent-funded Industrial group was 7.27 per cent; that of the lesser-funded group — 7.09 per cent. Non-Industrials used lower assumptions on average, at 7.04 per cent and 6.81 per cent respectively for the over-and underfunded groups. The assumptions applied to the combined groups were 7.19 per cent for Industrial and 6.98 per cent for Non-Industrial companies.

Larger corporations relied on interest assumptions that were higher, on average, than the smaller Fortune 500 Industrial firms — whether their assets were less than or greater than 100 per cent of vested benefits. For instance, the Fortune 1-100 and 101-200 Industrial companies in the 100 per cent funded group applied an average interest rate of 7.59 per cent and 7.48 per cent, respectively; Fortune 401-500 corporations used the lowest average assumption of the Fortune-ranked groups — 6.88 per cent. Interest assumptions for the Fortune 100 Industrial companies in the lower-funded group averaged 7.85 per cent; this steadily decreased to 6.62 and 6.65 per cent for Fortune 301-400 and 401-500-ranked firms.

Twenty-five of the firms in this Exhibit stated that the interest assumptions they used in complying with FAS-36 approximated PBGC rates used for valuation purposes. Interest assumptions ranged from a low of 4 per cent (for a company whose net assets were 196 per cent of vested benefits) to a high of 12.4 per cent (where net assets were 192.5 per cent of vested benefits). Only 37 companies — or 6 per cent of all 554 corporations in this Exhibit — applied an interest factor of 9 per cent or greater, and 44 — or 7.9 per cent — used a factor under 6 per cent.

All but six industry groups had a majority of companies for which vested benefits were at least 100 per cent funded. The combined and adjusted net assets-as-a-per cent-of-vested-benefits column shows only six industries that were less than 90 per cent funded. Least funded were the shipbuilding, railroad, transportation equipment group: three companies in that group averaged 112.8 per cent, five averaged 64.2 per cent, for a combined adjusted average figure of 70.1 per cent. Thirteen industry groups averaged net assets equal to at least 95 per cent of vested benefits, after the aforementioned adjustment.

Total net assets for all 554 companies in this Exhibit amounted to $199.2 billion at fair value. Net assets per company ranged from an average of $1.3 billion for the 87 companies in the Fortune 100 Industrial group (versus $1 billion for 91 companies in 1979), to $43.6 million for the Fortune 401-500 Industrial companies. Average net assets per company for all Industrial firms was $398.3 million; for Non-Industrials — $270.8 million.

For 46 of the 554 companies listed here, the net assets of the pension plans they sponsor were greater than one-half of their aggregate net worths. Net assets exceeded net worth at fifteen other companies.

EXHIBIT 8 Net Assets (NA) as a Percent of Total Vested Benefits (TVB), 1980

	Net Assets = 100% or More of TVB				
	Number of Companies	Total Vested Benefits ($ Millions)	Total Net Assets ($ Millions)	Interest Assumption (Average)	NA as a Percent of TVB (Average)
BY FORTUNE 500 INDUSTRIAL GROUP					
Fortune 1-100	58	$63,041.3	$75,926.7	7.59%	120.4%
Fortune 101-200	46	8,747.7	10,927.1	7.48%	124.9%
Fortune 201-300	43	4,656.6	5,665.2	7.21%	121.6%
Fortune 301-400	35	1,890.2	2,363.6	6.98%	125.0%
Fortune 401-500	40	1,319.2	1,654.6	6.88%	125.4%
	Total 222	$79,655.0	$96,537.2	7.27%	121.1%
BY INDUSTRY GROUP					
Mining, crude oil production	8	$ 778.0	$ 1,009.1	6.59%	129.7%
Food	17	2,612.8	3,096.6	7.28%	118.5%
Tobacco	2	735.5	906.5	7.25%	123.2%
Textiles, vinyl flooring	6	324.6	423.6	7.00%	130.4%
Apparel	3	109.8	130.0	6.50%	118.3%
Furniture	1	30.3	49.1	7.75%	162.0%
Paper, fiber and wood products	11	2,393.9	3,074.7	7.65%	128.4%
Publishing, printing	11	825.0	1,070.5	6.88%	129.7%
Chemicals	27	10,417.9	13,716.2	7.36%	131.6%
Petroleum refining	28	12,003.6	15,325.9	7.24%	127.6%
Rubber, plastic products	2	2,048.9	2,252.1	9.60%	109.9%
Leather	0	0.0	0.0	.00%	.0%
Glass, concrete, abrasives, gypsum	5	779.9	877.6	7.35%	112.5%
Metal manufacturing	11	6,405.8	7,235.3	8.00%	112.9%
Metal products	10	1,595.6	1,775.9	6.86%	111.2%
Electronics, appliances	14	10,657.9	13,200.4	7.31%	123.8%
Shipbuilding, railrd., trans. equip.	3	150.0	169.2	6.23%	112.8%
Measuring, scient., photo equip.	8	2,465.5	2,906.8	7.05%	117.8%
Motor vehicles	6	7,061.7	7,504.5	7.50%	106.2%
Aerospace	8	7,555.1	9,186.6	7.73%	121.5%
Pharmaceuticals	9	1,373.2	1,747.9	6.82%	127.2%
Soaps, cosmetics	4	511.0	625.2	7.31%	122.3%
Office equipment (incl. computers)	5	5,902.0	6,735.8	6.95%	114.1%
Industrial & farm equipment	11	1,762.2	1,976.8	7.07%	112.1%
Musical instr., toys, sporting goods	3	235.9	366.3	7.50%	155.2%
Broadcasting, motion picture prod., dist.	2	195.8	323.1	7.50%	165.0%
Beverages	7	722.9	851.4	7.78%	117.7%
BY FORTUNE 50 LARGEST NON-INDUSTRIAL GROUP					
Commercial banking	46	$ 3,287.4	$ 4,600.3	7.09%	139.9%
Retailing	17	1,191.5	1,830.0	7.12%	153.6%
Tranportation	21	2,988.1	3,971.2	6.97%	132.9%
Utilities	38	22,437.6	26,950.5	6.97%	120.1%
	Total 122	$29,904.6	$37,352.0	7.04%	124.9%

Net Assets = Less Than 100% of TVB

Number of Companies	Total Vested Benefits ($ Millions)	Total Net Assets ($ Millions)	Interest Assumption (Average)	NA as a Percent of TVB (Average)
29	$45,861.2	$37,340.7	7.85%	81.4%
41	14,152.8	11,069.5	7.18%	78.2%
35	6,048.8	5,214.3	7.11%	86.2%
35	3,332.3	2,451.6	6.62%	73.5%
24	1,421.5	1,135.6	6.65%	79.8%
164	$70,816.6	$57,211.7	7.09%	80.7%
4	$ 938.5	$ 799.2	7.65%	85.1%
14	2,600.7	2,147.5	7.14%	82.5%
1	328.3	265.2	8.00%	80.7%
5	405.6	378.6	6.60%	93.3%
2	163.5	118.8	7.15%	72.6%
0	0.0	0.0	.00%	.0%
15	2,360.8	2,030.2	6.60%	85.9%
2	195.8	186.4	6.06%	95.1%
6	666.1	568.6	6.75%	85.3%
10	3,546.8	3,331.5	6.04%	93.9%
2	1,336.5	642.9	8.15%	48.1%
0	0.0	0.0	.00%	.0%
11	2,222.5	1,777.1	7.34%	79.9%
23	12,960.9	11,018.4	8.26%	85.0%
8	1,972.6	1,643.5	6.60%	83.3%
11	7,059.8	6,206.6	7.19%	87.9%
5	775.0	498.1	6.94%	64.2%
2	211.7	190.3	6.00%	89.8%
10	23,554.9	17,357.3	7.10%	73.6%
3	876.6	802.4	7.03%	91.5%
4	1,216.2	1,064.8	6.87%	87.5%
0	0.0	0.0	.00%	.0%
4	1,684.8	1,572.2	7.06%	93.3%
17	5,599.3	4,498.7	7.04%	80.3%
1	3.3	1.8	6.00%	54.5%
2	35.1	32.4	6.50%	92.3%
2	101.3	79.2	5.75%	78.1%
4	$ 288.8	$ 270.2	6.56%	93.5%
13	2,272.5	1,863.6	7.11%	82.0%
18	4,777.4	3,703.8	6.75%	77.5%
11	2,869.6	2,303.1	6.65%	80.2%
46	$10,208.3	$ 8,140.7	6.81%	79.7%

Combined Figures — All Companies

Number of Companies	Interest Assumption (Average)	NA as a Percent of TVB (Average)	NA per Company (Average) ($ Millions)
87	7.68%	92.3%	$1,301.9
87	7.34%	86.5%	252.8
78	7.16%	92.2%	139.5
70	6.81%	83.1%	68.8
64	6.80%	89.6%	43.6
386	7.19%	91.0%	$ 398.3
12	6.95%	91.9%	$ 150.7
31	7.22%	91.3%	169.2
3	7.50%	94.1%	390.6
11	6.82%	96.3%	72.9
5	6.76%	83.6%	49.8
1	7.75%	100.0%	49.1
26	7.06%	93.0%	196.3
13	6.74%	99.1%	96.7
33	7.25%	99.1%	432.9
38	6.93%	98.6%	491.0
4	8.88%	79.5%	723.8
0	.0%	.0%	.0
16	7.35%	85.2%	165.9
34	8.18%	90.0%	536.9
18	6.74%	90.8%	190.0
25	7.26%	95.2%	776.3
8	6.68%	70.1%	83.4
10	6.84%	99.2%	309.7
16	7.25%	79.8%	1,553.9
11	7.54%	99.1%	908.1
13	6.84%	94.2%	216.4
4	7.31%	100.0%	156.3
9	7.00%	98.5%	923.1
28	7.05%	83.0%	231.3
4	7.13%	99.4%	92.0
4	7.00%	98.8%	88.9
9	7.33%	97.3%	103.4
50	7.05%	99.4%	$ 97.4
30	7.12%	98.2%	123.1
39	6.87%	86.2%	196.8
49	6.90%	97.8%	597.1
168	6.98%	94.8%	$ 270.8

Forty-six per cent of Industrial companies have fully funded their total accumulated benefits

9. Net Assets as a Percent of Total Accumulated Benefits, 1980

As in the preceding Exhibit 8, the material presented in Exhibit 9 on page 40 reflects the changes effected by the Financial Accounting Standards Board (FASB) Statement No. 36 (FAS-36), "Disclosure of Pension Information," both regarding form and substance. In form, all but one of the companies which reported total vested benefits also reported 1980 values for total accumulated benefits.

However, because the method and assumptions used under the new FASB requirements usually differ from the method and assumptions used to determine a plan's ongoing funding cost, a higher degree of funding than last year generally results. Direct comparison of this year's data to last year's is not helpful. In future **Executive Reports** we will monitor the change from year to year, which will then have comparison value.

The arrangement of data in Exhibit 9 is identical to the format developed for Exhibit 8, page 36. Two groups of companies are presented according to whether or not the company is fully funded with respect to total accumulated benefits. An average, adjusted, net assets to total accumulated benefits percentage is also shown for the combined group. Note: This combined percentage has been adjusted, as in Exhibit 8, by limiting the assets of overfunded plans to 100 per cent of total accumulated benefits.

Not immediately apparent from the Exhibit, and somewhat notable, is the fact that the present value of total accumulated benefits ($165.4 billion) for the 386 Fortune 500 Industrials is only 10 per cent higher than the same companies' total vested benefits ($150.5 billion). For 46 companies this meant moving from a surplus position with respect to net assets over vested benefits to an unfunded status regarding total accumulated benefits. Even so, 46 per cent of the Industrials still have net assets greater than total accumulated benefits under FAS-36, with an average 1980 funding ratio of 115.7 per cent for this group. Twenty-two Non-Industrial firms lost the fully funded status they enjoy with respect to total vested benefits, but 60 per cent continue to be fully funded for the value of their total accumulated benefits. Average funding for this group of Non-Industrials was 124.2 per cent. Overall, 18 per cent of the 276 fully funded Industrial and Non-Industrial companies represented in Exhibit 9 have net plan assets equal to at least 125 per cent of the value of their total accumulated benefits.

For *only* those companies having net assets less than total accumulated benefits, the degree of funding is still higher than for last year's entire universe of companies. Industrials are, on average, 76 per cent funded; Non-Industrials, an average 89 per cent.

Combining the over- and underfunded groups produces an overall adjusted ratio of net assets to total accumulated benefits of 86.2 per cent for the Industrials and 93.1 per cent for the Non-Industrials.

Fully funded companies within the Fortune-ranked Industrial groups tended to use slightly higher interest rates in the calculation of the value of their accumulated benefits than the underfunded companies. Overall average interest rates were 7.35 and 7.06 per cent, respectively, for the Industrial companies in the over- and underfunded groups. For the Non-Industrials, the average interest rates were 7.09 and 6.81 per cent, respectively. Combining both funding categories, an average Industrial interest rate of 7.19 per cent emerges; similarly, for the Non-Industrials, a 6.98 per cent average interest rate results. As we saw in Exhibit 8, the average interest rate tends also to rise with the rank of an Industrial company.

By industry group, fourteen, or just over one-half, of the groups had more companies that were at least 100 per cent funded than were not; the same percentage of industries had net assets equal to at least 90 per cent of total accumulated benefits. The group of manufacturers serving the shipbuilding, railroad, transportation equipment sector had the lowest net assets to total accumulated benefits ratio, at 66.1 per cent, with only one of the eight companies in this group being fully funded. Second lowest were the sixteen motor vehicle concerns with net assets equal to 69.3 per cent of total accumulated benefits, on average. Every industry group had at least one company that was not fully funded except the one company represented in the furniture group. Hence, that company's poor profit performance which was commented on in Section 3 of the Report does not warrant any immediate alarm for the furniture trade.

On the whole, the average company in our survey is nearly as funded with respect to total accumulated benefits as it was with respect to vested benefits. 87.7 per cent versus 91.8 per cent.

EXHIBIT 9 Net Assets (NA) as a Percent of Total Accumulated Benefits (TAB), 1980

	Net Assets = 100% or More of TAB				
	Number of Companies	Total Accumulated Benefits ($Millions)	Total Net Assets ($Millions)	Interest Assumption (Average)	NA as a Percent of TAB (Average)
BY FORTUNE 500 INDUSTRIAL GROUP					
Fortune 1-100	48	$56,283.5	$64,569.5	7.67%	[illegible]
Fortune 101-200	41	8,266.6	9,702.6	7.46%	[illegible]
Fortune 201-300	32	3,961.3	4,567.6	7.36%	[illegible]
Fortune 301-400	27	1,345.2	1,667.2	7.00%	[illegible]
Fortune 401-500	28	917.3	1,148.8	6.91%	[illegible]
	Total 176	$70,773.9	$81,955.7	7.35%	[illegible]
BY INDUSTRY GROUP					
Mining, crude oil production	7	$ 833.1	$ 977.9	6.64%	[illegible]
Food	14	1,667.1	1,982.0	7.32%	[illegible]
Tobacco	2	860.6	906.6	7.25%	[illegible]
Textiles, vinyl flooring	6	346.9	423.6	7.00%	[illegible]
Apparel		119.0	130.0	6.50%	[illegible]
Furniture	1	33.1	49.1	7.75%	[illegible]
Paper, fiber, and wood products	9	2,354.5	2,881.5	7.86%	[illegible]
Publishing, printing	10	778.0	980.3	6.87%	[illegible]
Chemicals	23	9,828.9	12,431.0	7.43%	[illegible]
Petroleum refining	25	12,356.0	14,985.8	7.37%	[illegible]
Rubber, plastic products	1	877.3	926.8	10.70%	[illegible]
Leather	0	0.0	0.0	.00%	[illegible]
Glass, concrete, abrasives, gypsum	2	495.4	538.7	7.50%	[illegible]
Metal manufacturing	6	6,267.0	6,733.6	8.98%	[illegible]
Metal products	6	750.0	784.2	6.41%	[illegible]
Electronics, appliances	9	10,915.5	12,389.3	7.35%	[illegible]
Shipbuilding, railrd., trans. equip.	1	76.5	83.1	6.50%	[illegible]
Measuring, scient., photo equip.	6	2,649.0	2,783.0	7.41%	[illegible]
Motor vehicles	4	1,063.0	1,267.7	7.87%	[illegible]
Aerospace	8	8,212.0	9,186.6	7.73%	[illegible]
Pharmaceuticals	8	1,270.5	1,530.0	6.86%	[illegible]
Soaps, cosmetics	3	544.6	581.3	7.41%	[illegible]
Office equipment (incl. computers)	5	6,154.5	6,735.8	6.95%	[illegible]
Industrial & farm equipment	9	1,423.0	1,502.2	7.05%	[illegible]
Musical instr., toys, sporting goods	3	265.5	366.3	7.50%	[illegible]
Broadcasting, motion picture prod., dist.	2	215.8	323.1	7.50%	[illegible]
Beverages	3	417.1	476.2	7.83%	[illegible]
BY FORTUNE 50 LARGEST NON-INDUSTRIAL GROUP					
Commercial banking	40	$ 3,291.9	$ 4,246.3	7.12%	[illegible]
Retailing	12	1,299.2	1,762.1	7.28%	[illegible]
Transportation	16	2,823.4	3,611.2	7.05%	[illegible]
Utilities	32	7,994.0	9,523.5	6.72%	[illegible]
	Total 100	$15,408.5	$19,143.1	7.09%	[illegible]

Net Assets = Less Than 100% of TAB

Number of Companies	Total Accumulated Benefits ($Millions)	Total Net Assets ($Millions)	Interest Assumption (Average)	NA as a Percent of TAB (Average)
39	$63,584.9	$48,397.9	7.69%	76.1%
46	16,798.1	12,294.0	7.23%	73.1%
46	7,738.3	6,311.9	7.02%	81.5%
43	4,421.9	3,148.0	6.68%	71.1%
36	2,076.5	1,641.4	6.70%	79.0%
210	$94,619.7	$71,793.2	7.06%	75.8%
5	$ 1,055.6	$ 830.4	7.37%	78.6%
17	3,949.5	3,282.1	7.14%	83.1%
1	357.1	265.2	8.00%	74.2%
5	428.9	378.6	6.60%	88.2%
2	182.0	118.1	7.15%	65.2%
0	0.0	0.0	.00%	.0%
17	2,794.0	2,223.4	6.61%	79.6%
3	312.6	276.6	6.07%	88.4%
10	2,043.1	1,853.8	6.82%	90.7%
13	4,060.2	3,671.6	6.07%	90.4%
3	2,841.6	1,968.2	8.26%	69.2%
0	0.0	0.0	.00%	.0%
14	2,778.6	2,116.0	7.32%	76.1%
28	14,536.5	11,520.1	8.01%	79.2%
12	3,158.7	2,635.2	6.90%	83.4%
16	8,742.4	7,017.7	7.20%	80.2%
7	923.6	584.2	6.70%	63.2%
4	354.5	314.1	5.97%	88.6%
12	24,901.7	23,594.1	7.04%	94.7%
3	950.6	802.4	7.03%	84.4%
5	1,587.8	1,282.7	6.80%	80.7%
1	44.1	43.9	7.00%	99.5%
4	1,860.3	1,572.2	7.06%	84.5%
19	6,611.3	4,973.3	7.05%	75.2%
1	4.5	1.8	6.00%	40.0%
2	38.2	32.4	6.50%	84.8%
6	502.3	454.4	7.08%	90.4%
10	$ 687.4	$ 624.2	6.72%	90.8%
18	2,551.2	1,931.5	7.01%	75.7%
22	5,436.0	4,080.0	6.72%	74.6%
17	20,765.1	19,730.1	6.75%	95.0%
67	$29,439.7	$26,345.8	6.81%	89.5%

Combined Figures— All Companies

Number of Companies	Interest Assumption (Average)	NA as a Percent of TAB (Average)
87	7.68%	87.3%
87	7.34%	82.0%
78	7.16%	87.8%
70	6.81%	77.9%
64	6.80%	85.3%
386	7.19%	86.2%
12	6.95%	88.1%
31	7.22%	87.8%
3	7.50%	92.5%
11	6.82%	93.5%
5	6.76%	79.0%
1	7.75%	100.0%
26	7.06%	88.9%
13	6.74%	96.7%
33	7.25%	98.4%
30	6.93%	97.6%
4	8.88%	76.5%
0	.00%	.0%
16	7.35%	79.6%
24	8.18%	85.3%
18	6.74%	86.6%
25	7.26%	91.2%
8	6.68%	66.1%
10	6.84%	98.7%
16	7.25%	89.3%
11	7.54%	98.4%
13	6.84%	89.7%
4	7.31%	100.0%
9	7.00%	96.4%
28	7.05%	79.6%
4	7.13%	99.0%
4	7.00%	97.7%
9	7.33%	94.8%
50	7.05%	98.4%
30	7.12%	83.9%
38	6.87%	83.3%
69	6.90%	96.4%
167	6.98%	93.1%

Unfunded accumulated vested benefits amounted to 2.7 per cent of net worth for Industrial firms

10. Unfunded Vested Benefits as a Percent of Net Worth, 1980

The new FAS-36 reporting also cast a different light on the figures for unfunded vested benefits of corporate pension plans. As we saw from Exhibit 8 (page 36), the funded status of vested benefits for the Fortune Industrial companies' pension plans was a high 91 per cent. Consequently, there should be less unfunded vested benefits. And there is. Exhibit 10 (page 44) shows that, as a per cent of net worth, unfunded vested benefits amounted to 2.7 per cent in 1980 for the 386 Industrial companies reporting those data. In contrast, 1979 saw unfunded vested benefits equal 7.3 per cent of net worth for 444 companies, in the pre-FAS-36 days. Similar figures for the 168 Non-Industrial companies were 1.2 per cent in 1980, and a very close 1.5 per cent in 1979 (156 companies). For Industrial and Non-Industrial companies in this Exhibit, the interest assumptions applied were 7.19 per cent and 6.98 per cent, respectively, as reported in Exhibit 8.

Indeed, 58 per cent of the Industrial corporations had no unfunded vested benefits, as did a whopping 72 per cent of Non-Industrial companies. Only 2 per cent of both groups — twelve corporations in all — had unfunded vested benefits equal to 30 per cent or more of net worth in 1980; the average interest assumption used by those companies was 7.75 per cent. (Note: Only those companies complying with FAS-36 are included in this Exhibit.) Furthermore, of the Industrial and Non-Industrial companies which reported a positive unfunded vested benefits figure, 33 per cent of the former and 24 per cent of the latter showed a ratio of less than 10 per cent of net worth.

By industry group, the one with the highest ratio in 1980 was motor vehicles, with unfunded vested benefits averaging 17.6 per cent of net worth in 1980 (average interest assumption: 7.25 per cent). Second highest was another economically hard-pressed industry — rubber, plastic products, with an average ratio of unfunded vested benefits to net worth of 13.6 per cent (average interest assumption: 8.88 per cent). Shipbuilding, railroad, transportation equipment firms ranked third at 10 per cent (average interest assumption: 6.68 per cent). Among industries where the number of companies is significant, the four corporations in the soaps, cosmetics group were lowest — none had unfunded vested benefits (average interest assumption: 7.31 per cent). Three industry groups reported unfunded vested benefits to be a not-very-significant .1 per cent of net worth. Those groups are: measuring, scientific, photo equipment; musical instruments, toys, sporting goods; and radio, movie production and distribution (average interest assumptions of 6.84, 7.13 and 7 per cent, respectively).

Among the Fortune 50 Largest Non-Industrial companies, commercial banks experienced the lowest ratio — .1 per cent, and transportation firms the highest — 7.5 per cent.

The figures referred to above include, as stated previously, all companies complying with FAS-36. As well over one-half of the 554 companies reported no unfunded vested benefits, the average ratios of unfunded vested benefits to net worth would logically be lower, as is the case. As an additional exercise, the last two columns of Exhibit 10 report average unfunded vested benefits as a percent of net worth *only* for those 163 Fortune 500 Industrial and 47 Non-Industrial companies which were found to have unfunded vested benefits. For the Fortune Industrial companies, this figure was a still-low 8.6 per cent of net worth; for Non-Industrial companies, an even lower 5.5 per cent. Except for the three industry groups (rubber, plastic products; motor vehicles; shipbuilding, railroad, transportation equipment) which were also highest in the averages which included all companies, average figures for industry groups where unfunded vested benefits existed were low: Fourteen groups — or more than half — had an average ratio of less than 5 per cent of net worth.

Of the 37 companies in the total sample here that applied an interest assumption of 9 per cent or more, sixteen — or 43 per cent — reported some unfunded vested benefits. The 44 companies that used an interest assumption of less than 6 per cent included 26 — or 59 per cent — that had some unfunded vested benefits.

UNFUNDED VESTED BENEFITS AS A PERCENT OF NET WORTH, 1980

Fortune 500 Companies

Average: 2.7%

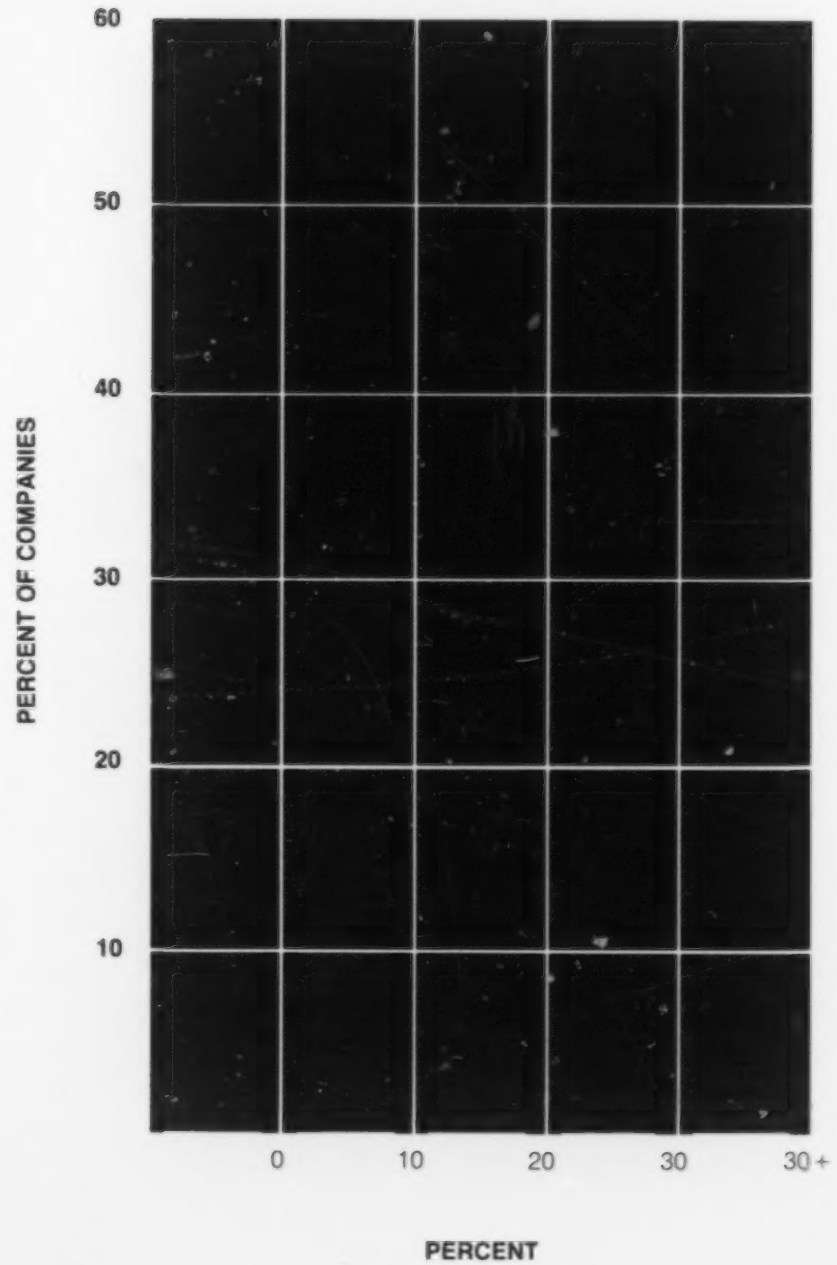

EXHIBIT 10 Unfunded Vested Benefits (UVB) as a Percent of Net Worth, 1980

	Number of Companies 1980	UVB ($ Millions) 1980	Net Worth ($ Millions) 1980	UVB as a Percent of Net Worth (Average) 1980
BY FORTUNE 500 INDUSTRIAL GROUP				
Fortune 1-100	87	$ 8,520.5	$329,777.2	[redacted]
Fortune 101-200	87	3,083.3	89,188.7	[redacted]
Fortune 201-300	78	834.5	44,209.9	[redacted]
Fortune 301-400	70	880.7	21,995.1	[redacted]
Fortune 401-500	64	285.9	12,390.8	[redacted]
	Total 386	$13,604.9	$497,561.7	[redacted]
BY INDUSTRY GROUP				
Mining, crude oil production	12	$ 139.3	$ 15,009.2	[redacted]
Food	31	453.2	21,621.6	[redacted]
Tobacco	3	63.1	8,621.8	[redacted]
Textiles, vinyl flooring	11	27.0	3,410.0	[redacted]
Apparel	5	44.7	1,670.1	[redacted]
Furniture	1	.0	185.9	[redacted]
Paper, fiber and wood products	26	330.6	22,913.7	[redacted]
Publishing, printing	13	9.4	5,876.2	[redacted]
Chemicals	33	97.5	35,915.4	[redacted]
Petroleum refining	38	215.3	144,110.6	[redacted]
Rubber, plastic products	4	693.6	5,111.2	[redacted]
Leather	0	.0	.0	[redacted]
Glass, concrete, abrasives, gypsum	16	445.4	8,442.0	[redacted]
Metal manufacturing	34	1,942.5	35,252.6	[redacted]
Metal products	18	329.1	9,512.3	[redacted]
Electronics, appliances	25	853.2	35,360.1	[redacted]
Shipbuilding, railrd., trans. equip.	8	276.9	2,804.3	[redacted]
Measuring, scient., photo equip.	10	21.4	15,646.7	[redacted]
Motor vehicles	16	6,197.6	35,203.9	[redacted]
Aerospace	11	74.2	10,697.1	[redacted]
Pharmaceuticals	13	151.4	16,799.1	[redacted]
Soaps, cosmetics	4	.0	3,885.3	[redacted]
Office equipment (incl. computers)	9	112.6	28,277.7	[redacted]
Industrial & farm equipment	28	1,100.6	20,159.0	[redacted]
Musical instr., toys, sporting goods	4	1.5	1,417.4	[redacted]
Broadcasting, motion picture prod., dist.	4	2.7	2,524.3	[redacted]
Beverages	9	22.1	7,134.2	[redacted]
BY FORTUNE 50 LARGEST NON-INDUSTRIAL GROUP				
Commercial banking	50	$ 18.6	$ 39,888.1	[redacted]
Retailing	30	408.9	26,491.2	[redacted]
Transportation	39	1,855.2	24,633.9	[redacted]
Utilities	49	566.5	144,126.5	[redacted]
	Total 168	$ 2,849.2	$235,139.7	[redacted]

Number of Companies (Percent of Sample)					Companies Where UVB Exists	
UVB = 0 1980	UVB = .1-9.9% of Net Worth 1980	UVB = 10-19.9% of Net Worth 1980	UVB = 20-29.9% of Net Worth 1980	UVB = At Least 30% of of Net Worth 1980	Number of Companies 1980	UVB as a Percent of Net Worth (Average) 1980
58 (67%)	20 (23%)	7 (8%)	1 (1%)	1 (1%)	29	[illegible]
46 (53%)	32 (37%)	5 (6%)	1 (1%)	3 (3%)	41	[illegible]
43 (55%)	30 (38%)	3 (4%)	0 (0%)	2 (3%)	35	[illegible]
36 (51%)	24 (34%)	4 (6%)	3 (4%)	3 (4%)	34	[illegible]
40 (63%)	20 (31%)	4 (6%)	0 (0%)	0 (0%)	24	[illegible]
223 (58%)	126 (33%)	23 (6%)	5 (1%)	9 (2%)	163	[illegible]
8 (67%)	4 (33%)	0 (0%)	0 (0%)	0 (0%)	4	[illegible]
17 (55%)	14 (45%)	0 (0%)	0 (0%)	0 (0%)	14	[illegible]
2 (67%)	1 (33%)	0 (0%)	0 (0%)	0 (0%)	1	[illegible]
6 (55%)	5 (45%)	0 (0%)	0 (0%)	0 (0%)	5	[illegible]
3 (60%)	2 (40%)	0 (0%)	0 (0%)	0 (0%)	2	[illegible]
1 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0	[illegible]
11 (42%)	13 (50%)	2 (8%)	0 (0%)	0 (0%)	15	[illegible]
11 (85%)	2 (15%)	0 (0%)	0 (0%)	0 (0%)	2	[illegible]
27 (82%)	5 (15%)	0 (0%)	0 (0%)	1 (3%)	6	[illegible]
28 (74%)	10 (26%)	0 (0%)	0 (0%)	0 (0%)	10	[illegible]
2 (50%)	0 (0%)	1 (25%)	0 (0%)	1 (25%)	2	[illegible]
0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0	[illegible]
5 (31%)	7 (44%)	2 (13%)	1 (6%)	1 (6%)	11	[illegible]
11 (32%)	14 (41%)	6 (18%)	0 (0%)	3 (9%)	23	[illegible]
10 (56%)	6 (33%)	2 (11%)	0 (0%)	0 (0%)	8	[illegible]
14 (56%)	7 (28%)	4 (16%)	0 (0%)	0 (0%)	11	[illegible]
3 (38%)	2 (25%)	2 (25%)	1 (13%)	0 (0%)	5	[illegible]
8 (80%)	2 (20%)	0 (0%)	0 (0%)	0 (0%)	2	[illegible]
6 (38%)	3 (19%)	3 (19%)	2 (13%)	2 (13%)	10	[illegible]
8 (73%)	3 (27%)	0 (0%)	0 (0%)	0 (0%)	3	[illegible]
9 (69%)	4 (31%)	0 (0%)	0 (0%)	0 (0%)	4	[illegible]
4 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0	[illegible]
5 (56%)	4 (44%)	0 (0%)	0 (0%)	0 (0%)	4	[illegible]
12 (43%)	13 (46%)	1 (4%)	1 (4%)	1 (4%)	16	[illegible]
3 (75%)	1 (25%)	0 (0%)	0 (0%)	0 (0%)	1	[illegible]
2 (50%)	2 (50%)	0 (0%)	0 (0%)	0 (0%)	2	[illegible]
7 (78%)	2 (22%)	0 (0%)	0 (0%)	0 (0%)	2	[illegible]
46 (92%)	4 (8%)	0 (0%)	0 (0%)	0 (0%)	4	[illegible]
17 (57%)	13 (43%)	0 (0%)	0 (0%)	0 (0%)	13	[illegible]
20 (51%)	13 (33%)	2 (5%)	1 (3%)	3 (8%)	19	[illegible]
38 (78%)	11 (22%)	0 (0%)	0 (0%)	0 (0%)	11	[illegible]
121 (72%)	41 (24%)	2 (1%)	1 (1%)	3 (2%)	47	[illegible]

Only 3 per cent of Industrials and 2 per cent of Non-Industrials had unfunded total accumulated benefits equal to 30 per cent of net worth

11. Unfunded Total Accumulated Benefits as a Percent of Net Worth, 1980

The decrease in unfunded vested benefits caused by FAS-36 reporting is also reflected in a decrease in unfunded total accumulated benefits (i.e., vested plus nonvested benefits). For, as a percent of net worth, unfunded total accumulated benefits equalled 4.6 per cent for the 386 companies in the Fortune 500 Industrial group, and 1.7 per cent for 167 Fortune Non-Industrial companies (see Exhibit 11, page 48). Data for 1979, from last year's study, revealed unfunded past service liabilities (under the method and assumptions used to determine a plan's ongoing funding costs) to be 11.9 per cent of net worth for 293 Fortune 500 Industrial companies, 5.6 per cent for 113 Non-Industrial firms. Only 3 per cent of the Industrial companies and 2 per cent of the Non-Industrial companies had unfunded total accumulated benefits equal to 30 per cent or more of net worth in 1980; in 1979, with fewer companies reporting, unfunded past service liabilities figures were 11 per cent and 4 per cent, respectively. Moreover, almost one-half (46 per cent) of the Industrial companies reported *no* unfunded total accumulated benefits in 1980, while only 6 per cent reported no unfunded past service liabilities in 1979. Fifty-nine per cent of the Non-Industrial corporations reported likewise in 1980, and only 6 per cent in 1979.

By industry group, motor vehicles had the highest ratio of unfunded total accumulated benefits to net worth, at 30.1 per cent. They were followed by the rubber, plastic products group (17.1 per cent) and shipbuilding, railroad, transportation equipment (12.1 per cent). These three industry groups also experienced the highest unfunded vested benefits-to-net worth ratios.

Soaps, cosmetics experienced the lowest ratio — .1 per cent — as they did in the prior Exhibit. Eighteen of the 26 industry groups where the sample was significant had unfunded total accumulated benefits of less than 5 per cent of net worth.

Among the Fortune 50 Largest Non-Industrial companies, commercial banks experienced the lowest unfunded total accumulated benefits-to-net worth ratio — .2 per cent, and transportation firms the highest — 8.9 per cent.

Again, as in Exhibit 10, the last two columns of this Exhibit reflect unfunded total accumulated benefits as a percent of net worth only for those companies where such unfunded benefits existed. This figure for 207 Fortune 500 Industrial companies went up to 11.3 per cent (versus 4.6 per cent for all 386 companies); for 68 Fortune Non-Industrial companies, it was 3.3 per cent (versus 1.7 per cent for all 167 companies).

UNFUNDED TOTAL ACCUMULATED BENEFITS AS A PERCENT OF NET WORTH, 1980

Fortune 500 Companies
Average: 4.6%

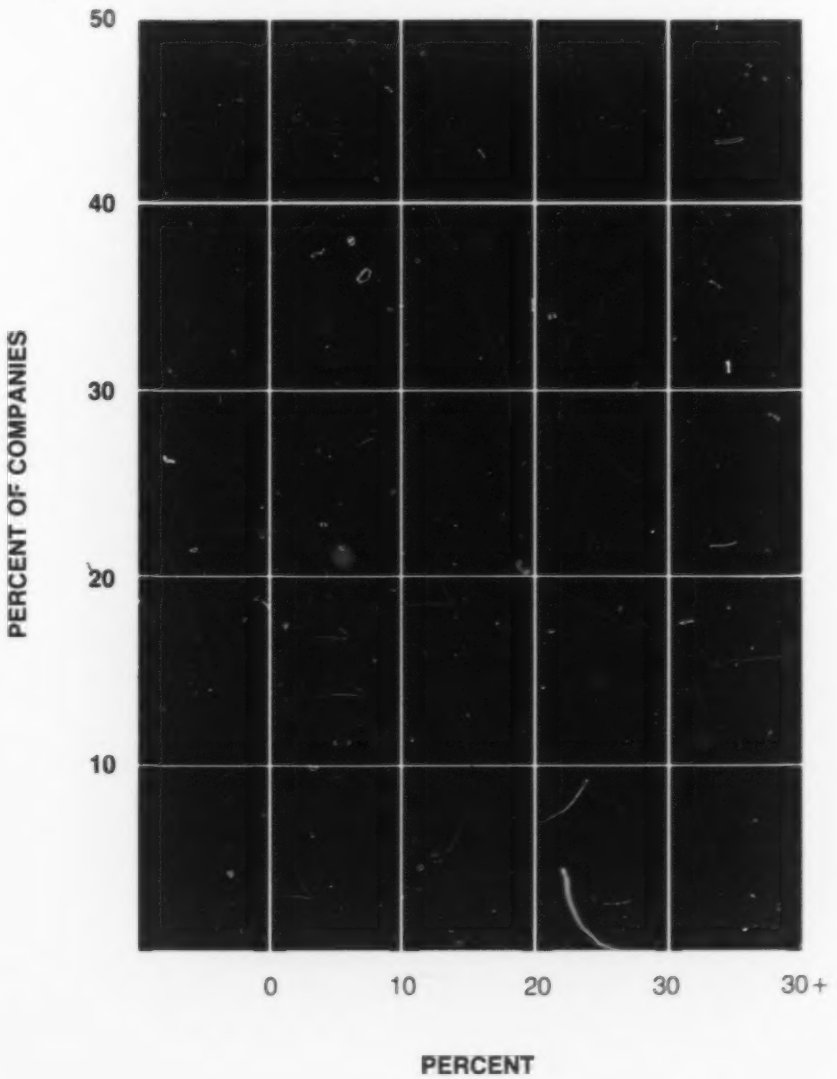

EXHIBIT 11 Unfunded Total Accumulated Benefits (UTAB) as a Percent of

	Number of Companies 1980	UTAB ($ Millions) 1980	Net Worth ($ Millions) 1980	UTAB as a Percent of Net Worth (Average) 1980
BY FORTUNE 500 INDUSTRIAL GROUP				
Fortune 1-100	87	$15,187.0	$329,777.2	[redacted]
Fortune 101-200	87	4,504.1	89,188.7	[redacted]
Fortune 201-300	78	1,426.4	44,209.9	[redacted]
Fortune 301-400	70	1,273.9	21,995.1	[redacted]
Fortune 401-500	64	435.1	12,390.8	[redacted]
	Total 386	$22,826.5	$497,561.7	[redacted]
BY INDUSTRY GROUP				
Mining, crude oil production	12	$ 225.2	$15,009.2	[redacted]
Food	31	687.4	21,621.6	[redacted]
Tobacco	3	91.9	8,621.8	[redacted]
Textiles, vinyl flooring	11	50.3	3,410.0	[redacted]
Apparel	5	63.2	1,670.1	[redacted]
Furniture	1	.0	185.9	[redacted]
Paper, fiber and wood products	26	570.6	22,913.7	[redacted]
Publishing, printing	13	36.0	5,876.2	[redacted]
Chemicals	33	189.3	35,915.4	[redacted]
Petroleum refining	38	388.6	144,100.6	[redacted]
Rubber, plastic products	4	873.4	5,111.2	[redacted]
Leather	0	.0	.0	[redacted]
Glass, concrete, abrasives, gypsum	16	662.6	8,442.0	[redacted]
Metal manufacturing	34	3,016.4	35,252.6	[redacted]
Metal products	18	523.5	9,512.3	[redacted]
Electronics, appliances	25	1,724.7	35,360.1	[redacted]
Shipbuilding, railrd., trans. equip.	8	339.4	2,804.3	[redacted]
Measuring, scient., photo equip.	10	40.4	15,646.7	[redacted]
Motor vehicles	16	10,907.6	35,203.9	[redacted]
Aerospace	11	148.2	10,697.1	[redacted]
Pharmaceuticals	13	305.1	16,799.1	[redacted]
Soaps, cosmetics	4	.2	3,885.3	[redacted]
Office equipment (incl. computers)	9	288.1	28,277.7	[redacted]
Industrial & farm equipment	28	1,638.0	20,159.0	[redacted]
Musical instr., toys, sporting goods	4	2.7	1,417.4	[redacted]
Broadcasting, motion picture prod., dist.	4	5.8	2,524.3	[redacted]
Beverages	9	47.9	7,134.2	[redacted]
BY FORTUNE 50 LARGEST NON-INDUSTRIAL GROUP				
Commercial banking	50	$ 63.2	$ 39,888.1	[redacted]
Retailing	30	619.7	26,491.2	[redacted]
Transportation	38	2,172.6	24,450.1	[redacted]
Utilities	49	1,035.0	144,126.5	[redacted]
	Total 167	$3,890.5	$234,955.9	[redacted]

Number of Companies (Percent of Sample)					Companies Where UTAB Exists	
UTAB = 0 1980	UTAB = 1-9.9% of Net Worth 1980	UTAB = 10-19.9% of Net Worth 1980	UTAB = 20-29.9% of Net Worth 1980	UTAB = At Least 30% of Net Worth 1980	Number of Companies (1980)	UTAB as a Percent of Net Worth (Average) 1980
50 (57%)	22 (25%)	11 (13%)	1 (1%)	3 (3%)	37	[illegible]
41 (47%)	31 (36%)	7 (8%)	5 (6%)	3 (3%)	46	[illegible]
33 (42%)	33 (42%)	8 (10%)	2 (3%)	2 (3%)	45	[illegible]
27 (39%)	29 (42%)	6 (9%)	4 (6%)	4 (6%)	43	[illegible]
28 (44%)	28 (44%)	6 (9%)	1 (2%)	1 (2%)	36	[illegible]
179 (46%)	43 (37%)	38 (10)%	13 (3%)	13 (3%)	207	[illegible]
7 (58%)	5 (42%)	0 (0%)	0 (0%)	0 (0%)	5	[illegible]
15 (48%)	13 (42%)	3 (10%)	0 (0%)	0 (0%)	16	[illegible]
2 (67%)	1 (33%)	0 (0%)	0 (0%)	0 (0%)	1	[illegible]
6 (55%)	5 (45%)	0 (0%)	0 (0%)	0 (0%)	5	[illegible]
3 (60%)	2 (40%)	0 (0%)	0 (0%)	0 (0%)	2	[illegible]
1 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0	[illegible]
9 (35%)	15 (58%)	2 (8%)	0 (0%)	0 (0%)	17	[illegible]
10 (77%)	3 (23%)	0 (0%)	0 (0%)	0 (0%)	3	[illegible]
23 (70%)	9 (27%)	0 (0%)	0 (0%)	1 (3%)	10	[illegible]
25 (66%)	12 (32%)	1 (3%)	0 (0%)	0 (0%)	13	[illegible]
1 (25%)	1 (25%)	0 (0%)	1 (25%)	1 (25%)	3	[illegible]
0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0	[illegible]
2 (13%)	9 (56%)	3 (19%)	1 (6%)	1 (6%)	14	[illegible]
6 (18%)	12 (35%)	9 (26%)	3 (9%)	4 (12%)	28	[illegible]
6 (33%)	7 (39%)	5 (28%)	0 (0%)	0 (0%)	12	[illegible]
9 (36%)	12 (48%)	0 (0%)	2 (8%)	2 (8%)	16	[illegible]
1 (13%)	4 (50%)	2 (25%)	1 (13%)	0 (0%)	7	[illegible]
6 (60%)	4 (40%)	0 (0%)	0 (0%)	0 (0%)	4	[illegible]
4 (25%)	2 (13%)	4 (25%)	3 (19%)	3 (19%)	12	[illegible]
8 (73%)	2 (18%)	0 (0%)	1 (9%)	0 (0%)	3	[illegible]
8 (62%)	5 (38%)	0 (0%)	0 (0%)	0 (0%)	5	[illegible]
4 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0	[illegible]
5 (56%)	3 (33%)	1 (11%)	0 (0%)	0 (0%)	4	[illegible]
9 (32%)	10 (36%)	7 (25%)	1 (4%)	1 (4%)	19	[illegible]
3 (75%)	1 (25%)	0 (0%)	0 (0%)	0 (0%)	1	[illegible]
2 (50%)	2 (50%)	0 (0%)	0 (0%)	0 (0%)	2	[illegible]
4 (44%)	4 (44%)	1 (11%)	0 (0%)	0 (0%)	5	[illegible]
40 (80%)	10 (20%)	0 (0%)	0 (0%)	0 (0%)	10	[illegible]
12 (40%)	16 (53%)	2 (7%)	0 (0%)	0 (0%)	18	[illegible]
15 (39%)	16 (42%)	3 (8%)	0 (0%)	4 (11%)	23	[illegible]
32 (65%)	16 (33%)	1 (2%)	0 (0%)	0 (0%)	17	[illegible]
99 (59%)	58 (35%)	6 (4%)	0 (0%)	4 (2%)	68	[illegible]

The average Industrial company could pay its total unfunded accumulated vested benefits with less than one month of pretax profits

12. Unfunded Vested Benefits as a Percent of Pretax Profits, 1980

The graph at right and Exhibit 12 on page 52 combine the statistics in Exhibits 3 and 10 of this report to find out what would happen if unfunded vested benefits had to be immediately funded — as a theoretical exercise. Even when one considers the relatively depressed increase in pretax profits during 1980 which were examined in Section 3, 1980 data show that the average Industrial company can pay its liability for total unfunded vested benefits with less than a month's worth of 1980 pretax profits, down from a corresponding duration of ten weeks reported in last year's study for 1979. Non-Industrials fared similarly, with 1980 figures indicating an ability to pay unfunded vested benefits with about two weeks' worth of pretax profits, half the duration determined for Non-Industrials in 1979. Note: This Exhibit (and Exhibit 13 on page 56) does not include those companies that posted a pretax loss during 1980, but does include those with no unfunded vested benefits.

Unfunded vested benefits for the 378 Fortune 500 Industrial companies represented in this year's report were $12 billion in 1980. This figure equals 7.4 per cent of aggregate pretax profits; however, due to the change in accounting standards the value is not directly comparable to last year's 19.3 per cent. In 1980, 58 per cent (versus 28 per cent in 1979) of the Industrial companies had no unfunded vested benefits and more than one-half of the remaining firms could cover their unfunded vested benefits with ten weeks' worth of pretax profits. Only 3 per cent of the Industrials had unfunded vested benefits which were greater than their 1980 pretax profits. By industry group, two had no unfunded vested benefits, and sixteen others could fund their vested benefits with less than a month's earnings. Five industry groups had ratios of less than 1 per cent. The plummet in profits for the motor vehicle group created this year's highest ratio of unfunded vested benefits to pretax profits -- 202.5 per cent. The rubber and plastic products group had the second highest ratio — 92.4 per cent. All the remaining industry groups would require less than four months of 1980 pretax profits to immediately fund their total vested benefits.

Among the 160 Non-Industrial companies, nearly three-quarters (73 per cent) had no unfunded vested benefits in 1980. Two-thirds of the remaining firms could fund their total vested benefits with less than three months of 1980 pretax profits. Transportation companies accounted for the highest Non-Industrial ratio — 19.9 per cent, with three airline concerns in this group having total vested benefits in excess of their 1980 pretax profits. Retailers were closest to the average set by the Industrials — 7.6 per cent. Utilities were low at 2.0 per cent, but the average commercial bank could fund its total vested benefits with a day's worth of 1980 pretax profits (0.2 per cent)!

Our analysis this year does not include the change from last year's ratio to the current level because of the relatively few companies reporting comparable figures for both years. In future Reports we shall be including two years in our study.

UNFUNDED VESTED BENEFITS AS A PERCENT OF PRETAX PROFITS, 1980

Fortune 500 Companies
Average: 7.4%

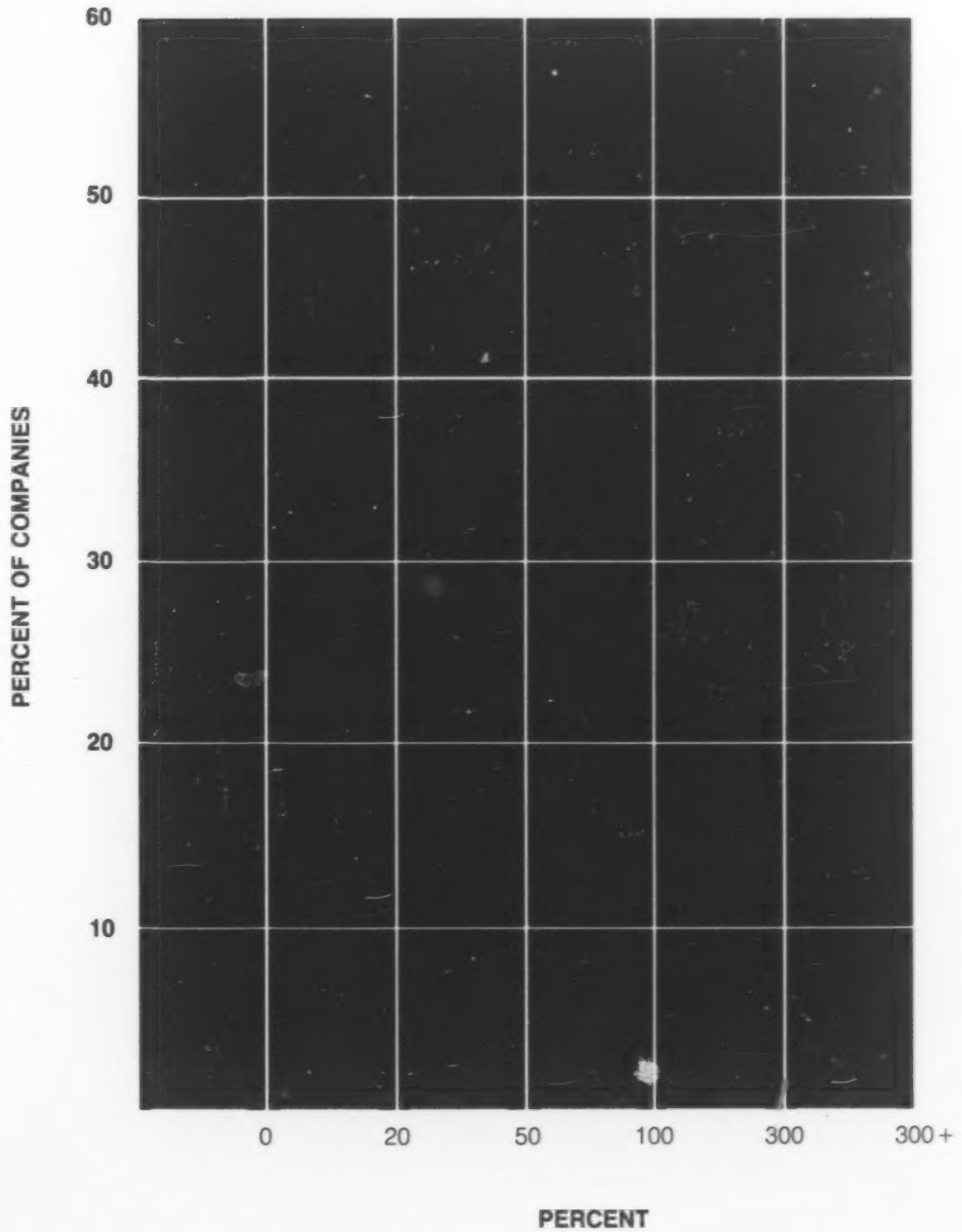

EXHIBIT 12 Unfunded Vested Benefits (UVB) as a Percent of Pretax

	Number of Companies 1980	UVB ($ Millions) 1980	Pretax Profits ($ Millions) 1980	UVB as a Percent of Pretax Profits (Average) 1980
BY FORTUNE 500 INDUSTRIAL GROUP				
Fortune 1-100	84	$ 7,245.2	$117,913.3	
Fortune 101-200	86	2,857.3	23,247.5	
Fortune 201-300	78	834.5	11,198.7	
Fortune 301-400	68	834.7	5,822.7	
Fortune 401-500	62	266.2	3,603.3	
	Total 378	$12,037.9	$161,785.5	
BY INDUSTRY GROUP				
Mining, crude oil production	12	$ 139.3	$ 8,526.6	
Food	31	453.2	6,201.6	
Tobacco	3	63.1	2,990.0	
Textiles, vinyl flooring	11	27.0	581.9	
Apparel	5	44.7	455.5	
Furniture		.0	2.6	
Paper, fiber and wood products	26	330.6	4,381.9	
Publishing, printing	13	9.4	1,881.8	
Chemicals	33	97.5	8,825.5	
Petroleum refining	38	215.3	66,155.0	
Rubber, plastic products	3	693.6	750.9	
Leather	0	.0	.0	
Glass, concrete, abrasives, gypsum	16	445.4	1,629.1	
Metal manufacturing	33	1,922.8	7,503.5	
Metal products	18	329.1	2,635.1	
Electronics, appliances	25	853.2	11,232.5	
Shipbuilding, railrd., trans. equip.	8	276.9	895.6	
Measuring, scient., photo equip.	10	21.4	5,828.1	
Motor vehicles	11	4,650.3	2,297.0	
Aerospace	11	74.2	3,972.9	
Pharmaceuticals	13	151.4	5,431.4	
Soaps, cosmetics	4	.0	1,455.5	
Office equipment (incl. computers)	8	112.6	9,648.1	
Industrial & farm equipment	28	1,100.6	5,306.1	
Musical instr., toys, sporting goods	4	1.5	280.0	
Broadcasting, motion picture prod., dist.	4	2.7	882.2	
Beverages	9	22.1	2,035.1	
BY FORTUNE 50 LARGEST NON-INDUSTRIAL GROUP				
Commercial banking	49	$ 18.6	$ 8,586.1	
Retailing	30	408.9	5,385.9	
Transportation	32	916.5	4,606.5	
Utilities	49	566.5	28,904.9	
	Total 160	$ 1,910.5	$ 47,483.4	

Number of Companies (Percent of Sample)					
UVB = 0 1980	UVB = .1-20% of Pretax Profits 1980	UVB = 21-50% of Pretax Profits 1980	UVB = 51-100% of Pretax Profits 1980	UVB = 101-300% Pretax Profits 1980	UVB = At Least 301% of of Pretax Profits 1980
56 (67%)	17 (20%)	3 (4%)	5 (6%)	2 (2%)	1 (1%)
46 (53%)	23 (27%)	9 (10%)	5 (6%)	2 (2%)	1 (1%)
43 (55%)	23 (29%)	8 (10%)	1 (1%)	2 (3%)	1 (1%)
34 (50%)	20 (29%)	4 (6%)	6 (9%)	3 (4%)	1 (1%)
39 (63%)	9 (15%)	11 (18%)	3 (5%)	0 (0%)	0 (0%)
218 (58%)	92 (24%)	35 (9%)	20 (5%)	9 (2%)	4 (1%)
8 (67%)	4 (33%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
17 (55%)	10 (32%)	3 (10%)	1 (3%)	0 (0%)	0 (0%)
2 (67%)	1 (33%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
6 (55%)	5 (45%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
3 (60%)	2 (40%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
1 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
11 (42%)	10 (38%)	4 (15%)	1 (4%)	0 (0%)	0 (0%)
11 (85%)	2 (15%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
27 (82%)	4 (12%)	1 (3%)	0 (0%)	1 (3%)	0 (0%)
28 (74%)	8 (21%)	1 (3%)	0 (0%)	0 (0%)	1 (3%)
1 (33%)	0 (0%)	0 (0%)	0 (0%)	1 (33%)	1 (33%)
0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
5 (31%)	5 (31%)	2 (13%)	2 (13%)	2 (13%)	0 (0%)
11 (33%)	8 (24%)	5 (15%)	4 (12%)	4 (12%)	1 (3%)
10 (56%)	3 (17%)	4 (22%)	1 (6%)	0 (0%)	0 (0%)
14 (56%)	6 (24%)	1 (4%)	4 (16%)	0 (0%)	0 (0%)
3 (38%)	2 (25%)	2 (25%)	1 (13%)	0 (0%)	0 (0%)
8 (80%)	2 (20%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
4 (36%)	0 (0%)	2 (18%)	4 (36%)	0 (0%)	1 (9%)
8 (73%)	2 (18%)	1 (9%)	0 (0%)	0 (0%)	0 (0%)
9 (69%)	4 (31%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
4 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
4 (50%)	4 (50%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
11 (39%)	6 (21%)	9 (32%)	1 (4%)	1 (4%)	0 (0%)
3 (75%)	1 (25%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
2 (50%)	2 (50%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
7 (78%)	1 (11%)	0 (0%)	1 (11%)	0 (0%)	0 (0%)
45 (92%)	3 (6%)	1 (2%)	0 (0%)	0 (0%)	0 (0%)
17 (57%)	8 (27%)	4 (13%)	1 (3%)	0 (0%)	0 (0%)
16 (50%)	11 (34%)	1 (3%)	1 (3%)	3 (9%)	0 (0%)
38 (78%)	8 (16%)	3 (6%)	0 (0%)	0 (0%)	0 (0%)
116 (73%)	30 (19%)	9 (6%)	2 (1%)	3 (2%)	0 (0%)

Six weeks of the average Industrial company's pretax profits would be sufficient to cover unfunded total accumulated benefits

13. Unfunded Total Accumulated Benefits as a Percent of Pretax Profits, 1980

This year's data, reflecting the provision of FAS-36, show that six weeks of pretax profits for the average Industrial company in this year's universe of companies would be sufficient to completely fund its unfunded total accumulated benefits.

The graph at right and Exhibit 13 on page 56 show that the 378 Fortune 500 Industrials have unfunded total accumulated benefits equal to 11.8 per cent of 1980 pretax profits, or just over six weeks' worth. Nearly half (46 per cent) of the Industrial companies had no unfunded accumulated benefits. Only 7 per cent of this year's sample would not be able to completely fund the value of their total accumulated benefits with their pretax profits for the entire year.

By industry group, the eleven motor vehicle companies and the three rubber and plastic products companies represented in the Exhibit are the only groups which could not fund their accumulated benefits with 1980 earnings. All the remaining industries could do so with less than six months' worth of pretax profits, and fifteen could do so in less than a month. Fourteen industries have at least 50 per cent of its representation showing no unfunded total accumulated benefits.

The average Non-Industrial firm could pay its unfunded total accumulated benefits with less than a month of 1980 pretax profits. The transportation sector would require the most time; even so, they could do so, on average, in less than three months. A majority of the utilities and commercial banking companies had no unfunded accumulated benefits; the latter group would need less than a week to fully fund the value of their total accumulated benefits.

UNFUNDED TOTAL ACCUMULATED BENEFITS AS A PERCENT OF PRETAX PROFITS, 1980

Fortune 500 Companies
Average: 11.8%

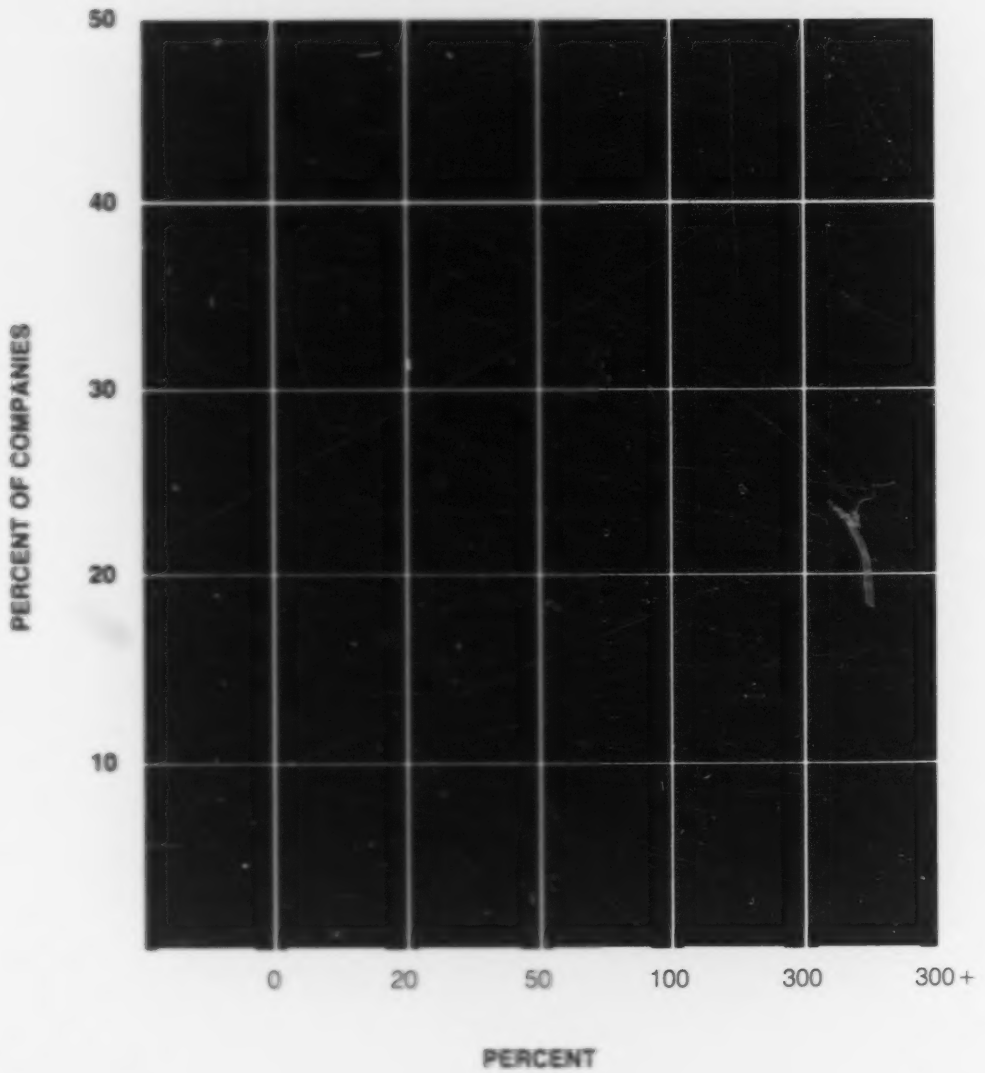

EXHIBIT 13 Unfunded Total Accumulated Benefits (UTAB) as a Percent of

	Number of Companies 1980	UTAB ($ Millions) 1980	Pretax Profits ($ Millions) 1980	UTAB as a Percent of Pretax Profits (Average) 1980
BY FORTUNE 500 INDUSTRIAL GROUP				
Fortune 1-100	84	$11,828.2	$117,913.3	
Fortune 101-200	86	4,192.1	23,247.5	
Fortune 201-300	78	1,426.4	11,198.7	
Fortune 301-400	68	1,211.5	5,822.7	
Fortune 401-500	62	406.3	3,603.3	
	Total 378	$19,064.5	$161,785.5	
BY INDUSTRY GROUP				
Mining, crude oil production	12	$ 225.2	$ 8,526.6	
Food	31	687.4	6,201.6	
Tobacco	3	91.9	2,990.0	
Textiles, vinyl flooring	11	50.3	581.9	
Apparel	5	63.2	455.5	
Furniture	1	.0	2.6	
Paper, fiber and wood products	26	570.6	4,381.9	
Publishing, printing	13	36.0	1,881.8	
Chemicals	33	189.3	8,825.5	
Petroleum refining	38	388.6	66,155.0	
Rubber, plastic products	3	873.4	750.9	
Leather	0	.0	.0	
Glass, concrete, abrasives, gypsum	16	662.6	1,629.1	
Metal manufacturing	33	2,987.6	7,503.5	
Metal products	18	523.5	2,635.1	
Electronics, appliances	25	1,724.7	11,232.5	
Shipbuilding, railrd., trans. equip.	8	339.4	895.6	
Measuring, scient., photo equip.	10	40.4	5,828.1	
Motor vehicles	11	7,174.4	2,297.0	
Aerospace	11	148.2	3,972.9	
Pharmaceuticals	13	305.1	5,431.4	
Soaps, cosmetics	4	.2	1,455.5	
Office equipment (incl. computers)	8	288.1	9,648.1	
Industrial & farm equipment	28	1,638.0	5,306.1	
Musical instr., toys, sporting goods	4	2.7	280.0	
Broadcasting, motion picture prod., dist.	4	5.8	882.2	
Beverages	9	47.9	2,035.1	
BY FORTUNE 50 LARGEST NON-INDUSTRIAL GROUP				
Commercial banking	49	$ 63.2	$ 8,586.1	
Retailing	30	619.7	5,385.9	
Transportation	31	1,196.5	4,539.7	
Utilities	49	1,035.0	28,904.9	
	Total 159	$ 2,914.4	$ 47,416.6	

Pretax Profits, 1980

Number of Companies (Percent of Sample)

UTAB = 0 1980	UTAB = .1-20% of Pretax Profits 1980	UTAB = 21-50% of Pretax Profits 1980	UTAB = 51-100% of Pretax Profits 1980	UTAB = 101-300% of Pretax Profits 1980	UTAB = At Least 301% of Pretax Profits 1980
47 (56%)	19 (23%)	6 (7%)	7 (8%)	4 (5%)	1 (1%)
41 (48%)	20 (23%)	14 (16%)	5 (6%)	5 (6%)	1 (1%)
32 (41%)	24 (31%)	11 (14%)	8 (10%)	0 (0%)	3 (4%)
26 (38%)	22 (32%)	8 (12%)	5 (7%)	6 (9%)	1 (1%)
27 (44%)	19 (31%)	12 (19%)	1 (2%)	3 (5%)	0 (0%)
173 (46%)	104 (28%)	51 (13%)	26 (7%)	18 (5%)	6 (2%)
7 (58%)	5 (42%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
14 (45%)	7 (23%)	8 (26%)	2 (6%)	0 (0%)	0 (0%)
2 (67%)	1 (33%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
6 (55%)	4 (36%)	1 (9%)	0 (0%)	0 (0%)	0 (0%)
3 (60%)	1 (20%)	1 (20%)	0 (0%)	0 (0%)	0 (0%)
1 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
9 (35%)	7 (27%)	8 (31%)	2 (8%)	0 (0%)	0 (0%)
10 (77%)	3 (23%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
23 (70%)	7 (21%)	2 (6%)	0 (0%)	0 (0%)	1 (3%)
25 (66%)	11 (29%)	1 (3%)	0 (0%)	0 (0%)	1 (3%)
0 (0%)	1 (33%)	0 (0%)	0 (0%)	1 (33%)	1 (33%)
0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
2 (13%)	4 (25%)	3 (19%)	3 (19%)	4 (25%)	0 (0%)
6 (18%)	8 (24%)	6 (18%)	5 (15%)	6 (18%)	2 (6%)
6 (33%)	6 (33%)	5 (28%)	1 (6%)	0 (0%)	0 (0%)
9 (36%)	10 (40%)	2 (8%)	1 (4%)	3 (12%)	0 (0%)
1 (13%)	3 (38%)	1 (13%)	3 (38%)	0 (0%)	0 (0%)
6 (60%)	4 (40%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
3 (27%)	1 (9%)	0 (0%)	4 (36%)	2 (18%)	1 (9%)
8 (73%)	0 (0%)	2 (18%)	1 (9%)	0 (0%)	0 (0%)
8 (62%)	4 (31%)	1 (8%)	0 (0%)	0 (0%)	0 (0%)
3 (75%)	1 (25%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
4 (50%)	2 (25%)	2 (25%)	0 (0%)	0 (0%)	0 (0%)
9 (32%)	6 (21%)	8 (29%)	4 (14%)	1 (4%)	0 (0%)
3 (75%)	1 (25%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
2 (50%)	2 (50%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
3 (33%)	5 (56%)	0 (0%)	0 (0%)	1 (11%)	0 (0%)
39 (80%)	9 (18%)	1 (2%)	0 (0%)	0 (0%)	0 (0%)
12 (40%)	11 (37%)	5 (17%)	2 (7%)	0 (0%)	0 (0%)
13 (42%)	11 (35%)	3 (10%)	1 (3%)	3 (10%)	0 (0%)
32 (65%)	8 (16%)	8 (16%)	1 (2%)	0 (0%)	0 (0%)
96 (60%)	39 (25%)	7 (11%)	4 (3%)	3 (2%)	0 (0%)

APPENDIX A

Miscellaneous Information

If compliance with FAS-36 did nothing else, it did require greater disclosure of employee benefit information by companies sponsoring retirement plans, and inspired others to disclose more than what was required. Listed below is information on foreign plan costs, benefits to retirees, assumption changes, etc. — reported with more frequency than in prior Executive Reports. It should prove to be of interest.

Comments Made Regarding FAS-36

35 companies gave unfunded past service liabilities, unfunded vested liabilities or present value of accrued benefits under their plan's continuing funding methods, in addition to FAS-36 information. In each case, FAS-36 showed no such unfunded liabilities.

18 stated they used a different interest assumption for funding their plans than for FAS-36 use. In two cases, the funding assumption was higher than the FAS-36 assumption. Those companies are listed below.

Funding Assumption	Assumption under FAS-36
6% (3 companies)	8.0%
6%	8.25%
6%	8.5%
6%	9.0%
7%	6.33%
7%	7.75%
7%	8.0%
7% (2 companies)	10.0%
7.5%	8.3%
7.5%	10.0%
7.5%	10.7%
8.0%	9.0%
10.0%	8.5%
4.0-7.0%	7.0%
Not disclosed	10.0%

25 stated that interest rates used for FAS-36 compliance approximated those used by the Pension Benefit Guaranty Corporation.

8 stated that FAS-36 was misleading; that it did not consider future salary increases, which their funding method did.

Interest assumptions used. The following are the major interest assumptions applied for FAS-36 reporting by 554 companies complying with that requirement.

Number of Companies	FAS-36 Interest Assumption
101	7.0%
93	6.0%
86	8.0%
54	6.5%
44	7.5%
21	8.5%
17	9.0%
16	5.0%
15	5.5%
12	10.0%
7	8.25%
5 each	5.75%, 6.25%, 6.3%

The remaining 73 companies used assumptions ranging from 4.0% to 12.4%.

Additional comments regarding FAS-36. The following statements, among others, were made in the Notes to the Financial Statements, Pension Plan Footnote, by corporations responding to the different data resulting from FAS-36.

> "The Company believes that misleading inferences concerning the plan's funding status may result from a comparison of the actuarial present value of accumulated plan benefits with the fair value of net assets available for plan benefits. This is because plan assets have been accumulated by making contributions . . . determined on a going concern basis as required by ERISA while the determination . . . required by Statement No. 36 is made using assumptions which are not the same as those used to determine current year pension costs . . . The fair value of net assets available will fluctuate which may create erroneous impressions with respect to long-term progress on funding the pension plans."

> "FAS-36 requires disclosure . . . which ignores future salary levels and their effects on past service benefits. However, the funding basis of the plan cannot ignore this factor because future salary levels are expected to increase . . . The Company and its actuaries believe that such a comparison is misleading because the liabilities required to be disclosed by FAS-36 understate the amount which ultimately will be needed to pay for all of the plan's benefits."

"Statement No. 36 does not represent the obligations of the plan since it does not consider future salaries."

"Differences between funding bases and reporting requirements can have a significant effect on the comparisons shown (i.e., FAS-36)."

"When taking into account future benefits, total accumulated benefits would be greater than plan assets by $485.1 million (instead of plan assets exceeding total accumulated benefits by $169.2 million under FAS-36)."

"FAS-36 uses assumptions significantly different than those used for accounting, funding and disclosure purposes."

"As an indication of the sensitive effect of this assumption (interest), consulting actuaries estimate that the excess of the actuarial present value of accumulated plan benefits over existing plan assets could be eliminated if the assumed rate of return would be increased to approximately 13% (instead of 9% for FAS-36)."

Benefits to Retirees/Early Retirement

20 companies stated specifically that benefits were increased to retirees; one stated its increase was the third such increase since 1969; another noted that the actuarial liability of its supplemental payment to retirees, made from general funds of the corporation, was $9.2 million; one more stated that benefits were increased up to a maximum of 10 per cent for employees retired before May 1, 1979; two firms disclosed the cost of their voluntary supplemental payments to retirees — $4.3 million and $51 million, respectively.

6 companies stated the cost of providing medical and/or life insurance benefits for retirees.

5 gave the actuarial present value of post-retirement health care.

5 liberalized or started an early retirement program. One of these stated that, under a special incentive program made available for three months for employees over age 55 with 20 years of service, 69 per cent of those eligible chose it. Another offered one-half salary for up to three years until age 65 for certain employees.

In addition, two companies stated they improved medical coverage to retirees in 1980, one had a prescription drug program for them, and another started a preretirement counseling program for employees age 55 and older.

Foreign Pension Plans

Eighty-one companies divulged information on the pension plans they sponsor in foreign countries where subsidiaries are located. Of these:

47 stated such plans had no unfunded vested liabilities.

23 disclosed the amount of any unfunded vested liabilities.

13 gave pension cost for their foreign plans.

1 applied FAS-36 to its foreign plans.

Assumption Changes

In addition to companies which disclosed that they changed only one assumption, 28 changed two of the assumptions applied to the funding of their pension plans; three changed three assumptions; two changed four of them; and one company changed five. This was the way assumptions were changed:

68 changed interest rate assumption.

32 changed salary assumption.

5 changed turnover assumption.

4 changed Social Security assumption.

2 changed retirement age assumption.

2 changed mortality assumption.

1 changed inflation assumption.

40 disclosed that they changed assumptions, but did not identify which one(s).

Actuarial Method

Nine companies disclosed that they changed their actuarial method used for funding purposes. Other information disclosed regarding method include:

36 use aggregate method.

30 use entry-age normal method.

10 use frozen initial liability method.

8 use unit credit method.

Amortization Schedules

Of the 640 companies represented in the report, 508 disclosed their amortization schedules for past-service liabilities. They are presented below.

Number of Years	Number of Companies
30	215
40	88
30-40	35
20	27
10	23
10-30	20
25	19
10-40	14
15-40	12
15	7
20-40	7
25-30	6
15-30	6
20-30	5

The remaining 24 firms posted amortization schedules not listed above. They ranged from seven years to 40 years.

In addition, three companies stated they increased the number of years over which their past service liabilities are amortized, and three disclosed decreases.

Profit-sharing Plans

Fifty-seven companies disclosed sponsorship of this defined contribution plan in addition to defined benefit pension plan. Of those, 54 contributed $494 million in 1980.

Thrift/Savings Plans

Fifty-two disclosed sponsoring this type of plan. $180.5 million was contributed by 39 of them.

ESOP/TRASOP

Eighty firms stated they offered this plan to employees. However, only 33 disclosed their contribution to this type of plan — $97 million.

Other Employee Benefit Information

76 companies increased pension plan benefits.

76 disclosed total employee benefit cost.

14 acquired another firm, indicating a rise in pension cost.

13 disclosed number of beneficiaries.

12 gave a statement of changes in plan assets/portfolio diversification.

9 disclosed amounts paid to pension plan beneficiaries.

9 gave a general statement of liability under the Multiemployer Pension Plan Amendments Act of 1980.

3 gave an estimated liability for benefits under the Multiemployer Pension Plan Amendments Act of 1980.

5 offer an employee assistance plan.

5 amended their plans to make them noncontributory.

4 started a dental plan for their employees in 1980.

APPENDIX B

Alphabetical List of Corporations Whose Annual Reports Were Surveyed

From the Fortune 500 Industrials

ACF Industries
AM International
AMAX
AMF
AMP
A-T-O
Abbott Laboratories
Agway
Air Products & Chemicals
Akzona
Allegheny Ludlum Industries
Allied Chemical
Allis-Chalmers
Alumax
Aluminum Co. of America
Amerada Hess
American Bakeries
American Brands
American Broadcasting
American Can
American Cyanamid
American Hoist & Derrick
American Home Products
American Motors
American Petrofina
American Standard
Ampex
Amstar
Amsted Industries
Anchor Hocking
Anderson, Clayton
Anheuser-Busch
Arcata
Archer-Daniels-Midland
Armco
Armstrong World Industries
Asarco
Ashland Oil
Atlantic Richfield
Avery International
Avnet
Avon Products
Baker International
Ball
Bally Manufacturing
Bangor Punta
Bausch & Lomb
Beatrice Foods
Beckman Instruments
Becton, Dickinson
Belco Petroleum
Bell & Howell
Bemis
Bendix
Bethlehem Steel
Big Three Industries
Black & Decker Manufacturing
Blue Bell
Boeing
Boise Cacade
Borden
Borg-Warner
Briggs & Stratton
Bristol-Myers
Brockway Glass
Brown Group
Brunswick
Bucyrus-Erie
Bunker Ramo
Burlington Industries
Burroughs
CBI Industries
CBS
CPC International
Cabot
Cameron Iron Works

Campbell Soup
Campbell Taggart
Cannon Mills
Capital Cities Communications
Carnation
Carpenter Technology
Castle & Cook
Caterpillar Tractor
Celanese
Central Soya
Certain-teed
Cessna Aircraft
Champion International
Champion Spark Plug
Charter
Chesebrough-Pond's
Chicago Pneumatic Tool
Chromalloy American
Chrysler
Cincinnati Milacron
Cities Service
Clark Equipment
Clark Oil & Refining
Clorox
Cluett, Peabody
Coastal
Coca-Cola
Coca-Cola Bottling Co. of N.Y.
Colgate-Palmolive
Collins & Aikman
Colt Industries
Columbia Pictures Industries
Combustion Engineering
Commonwealth Oil Refining
ConAgra
Cone Mills
Conoco
Consolidated Foods
Consolidated Papers
Continental Group
Control Data
Cooper Industries
Coors (Adolph)
Copperweld
Corning Glass Works
Crane
Crouse Hinds
Crown Central Petroleum
Crown Cork & Seal
Crown Zellerbach
Cummins Engine
Cyclops
DPF
Dan River
Dana
Dart & Kraft
Data General
Dayco
Dean Foods
Deere
Dennison Manufacturing
Dexter
Diamond International
Diamond Shamrock
Digital Equipment
Donnelly (R.R.) & Sons
Dorchester Gas
Dorsey
Dover
Dow Chemical
Dow Corning
Dow Jones
Dresser Industries
Du Pont (E.I.) de Nemours
EG&G
Eagle-Picher Industries
Eastman Kodak
Eaton
Economics Laboratory
Emerson Electric

Emhart
Esmark
Ethyl
Evans Products
Ex-Cell-O
Exxon
FMC
Fairchild Industries
Farmland Industries
Federal
Federal-Mogul
Federal Paper Board
Ferro
Fieldcrest Mills
Firestone Tire & Rubber
Fleetwood Enterprises
Ford Motor
Foxboro
Frederick & Herrud
Freeport Minerals
Fruehauf
GAF
GATX
GK Technologies
Gannett
General Cinema
General Dynamics
General Electric
General Foods
General Host
General Instrument
General Mills
General Motors
General Refractories
General Signal
General Tire & Rubber
Genesco
Georgia-Pacific
Gerber Products
Getty Oil
Gifford-Hill
Gillette
Gold Kist
Goodrich (B.F.)
Goodyear Tire & Rubber
Gould
Grace (W.R.)
Great Northern Nekoosa
Greyhound
Grumman
Gulf Oil
Gulf Resources & Chemical
Gulf & Western Industries
Hammermill Paper
Handy & Harman
Harcourt Brace Jovanovich
Harnischfeger
Harris
Harsco
Hart Schaffner & Marx
Heileman (G.) Brewing
Heinz (H.J.)
Hercules
Hershey Foods
Heublein
Hewlett-Packard
Honeywell
Hoover
Hoover Universal
Hormel (Geo. A.)
Hughes Tool
Hyster
IC Industries
Interco
Ideal Basic Industries
Idle Wild Foods
Ingersoll-Rand
Inland Steel
Insilco
Interlake

International Business Machines
International Flavors & Fragrances
International Harvester
International Minerals & Chemical
International Multifoods
International Paper
International Telephone & Telegraph
Johns-Manville
Johnson Controls
Johnson & Johnson
Joy Manufacturing
Kaiser Aluminum & Chemical
Kaiser Steel
Kane-Miller
Kellogg
Kennecott
Kerr-McGee
Kidde (Walter)
Kimberly-Clark
Knight-Ridder Newspapers
Koppers
LTV
Lear Siegler
Levi Strauss
Libbey-Owens-Ford
Lilly (Eli)
Lipton (Thomas J.)
Litton Industries
Lockheed
Lone Star Industries
Louisiana Land & Exploration
Louisiana-Pacific
Lowenstein (M.)
Lubrizol
MAPCO
MCA
Macmillan
Magic Chef
Marathon Oil
Marley
Martin Marietta
Maryland Cup
Masco
Masonite
Mattel
McCormick
McDermott
McDonnell Douglas
McGraw-Edison
McGraw-Hill
McLouth Steel
Mead
Memorex
Merck
Metromedia
Midland-Ross
Minnesota Mining & Manufacturing
Mitchell Energy & Development
Mobil
Mohasco
Monsanto
Moore McCormack Resources
Morton-Norwich Products
Motorola
Murphy Oil
NCR
NL Industries
NVF
Nabisco
Nalco Chemical
Nashua
National Can
National Distillers & Chemical
National Gypsum
National Service Industries
National Steel
New York Times
Newmont Mining
Norris Industries
North American Philips

Northrop
Northwest Industries
Norton
Norton Simon
Occidental Petroleum
Ogden
Olin
Oscar Mayer
Outboard Marine
Owens-Corning Fiberglas
Owens-Illinois
PPG Industries
Pabst Brewing
Paccar
Pacific Resources
Parker-Hannifin
Peabody International
Peavey
Penn Central
Pennwalt
Pennzoil
PepsiCo
Perkin-Elmer
Pfizer
Phelps Dodge
Philip Morris
Phillips Petroleum
Pillsbury
Pitney-Bowes
Polaroid
Porter (H.K.)
Potlatch
Purex Industries
Quaker Oats
Quaker State Oil Refining
Questor
RCA
Ralston Purina
Raychem
Raytheon
Reichhold Chemicals
Republic Steel
Revere Copper & Brass
Revlon
Rexnord
Reynolds (R.J.) Industries
Reynolds Metals
Richardson-Merrell
Robertson (H.H.)
Rockwell International
Rohm & Haas
Rohr Industries
SCM
St. Joe Minerals
St. Regis Paper
Savannah Foods
Saxon Industries
Schering-Plough
Schlitz (Jos.) Brewing
Scott & Fetzer
Scott Paper
Scovill
Seagram (Joseph E.) & Sons
Searle (G.D.)
Shell Oil
Sheller-Globe
Sherwin-Williams
Signal Companies
Singer
Smith (A.O.)
Smith International
SmithKline
Sonoco Products
Southwest Forest Industries
Sperry
Sperry & Hutchinson
Springs Mills
Square D
Squibb
Staley (A.E.) Manufacturing

Standard Brands
Standard Oil of California
Standard Oil (Ind.)
Standard Oil (Ohio)
Stanley Works
Stauffer Chemical
Sterling Drug
Stevens (J.P.)
Stokely-Van Camp
Sun
Sun Chemical
Sunbeam
Sundstrand
Superior Oil
Sybron
TRW
Tecumseh Products
Tektronix
Teledyne
Tenneco
Texaco
Texas Instruments
Texasgulf
Textron
Thiokol
Time Inc.
Times Mirror
Timken
Todd Shipyards
Tosco
Trane
Trinity Industries
Twentieth Century-Fox Film
Tyler
Union Camp
Union Carbide
Union Oil of California
Union Pacific
Uniroyal
United Brands
United Merchants & Manufacturers
United Refining
U.S. Gypsum
U.S. Industries
U.S. Steel
United Technologies
Universal Leaf Tobacco
Upjohn
VF
Varian Associates
Vulcan Materials
Wallace Murray
Walter (Jim)
Warnaco
Warner Communications
Warner-Lambert
Washington Post
West Point-Pepperell
Western Electric
Westinghouse Electric
Westvaco
Weyerhaeuser
Wheelabrator-Frye
Wheeling-Pittsburgh Steel
Whirlpool
White Consolidated Industries
Whittaker
Willamette Industries
Williams Companies
Witco Chemical
Wrigley (Wm. Jr.)
Wyman-Gordon
Xerox
Zenith

From the Fortune 50 Largest Non-Industrials

Commercial Banking Companies

AmeriTrust Corp.
BancOhio Corp.
Bank of New York Co.
BankAmerica Corp.
Bankers Trust New York Corp.
Chase Manhattan Corp.
Chemical New York Corp.
Citicorp
Continental Illinois Corp.
Crocker National Corp.
DetroitBank Corp.
European American Bancorp.
First Bank System
First Chicago Corp.
First City Bancorp. of Texas
First International Bancshares
First National Boston Corp.
First Pennsylvania Corp.
First Wisconsin Corp.
Harris Bankcorp.
Irving Bank Corp.
Manufacturers Hanover Corp.
Manufacturers National Corp.
Marine Midland Banks
Mellon National Corp.
Mercantile Bancorp.
Mercantile Texas Corp.
Michigan National Corp.
Morgan (J.P.)
NCNB Corp.
National Bank of North America
National City Corp.
National Detroit Corp.
Northern Trust Corp.
Northwest Bancorp.
Philadelphia National Corp.
Pittsburgh National Corp.
Rainier Bancorp.
Republic New York Corp.
Republic of Texas Corp.
Seafirst Corp.
Security Pacific Corp.
Southeast Banking Corp.
Texas Commerce Bancshares
Union Bank
U.S. Bancorp.
Valley National Bank of Arizona
Wachovia Corp.
Wells Fargo & Co.
Western Bancorp.

Transportation Companies

Alexander & Baldwin
Allied Van Lines
American Airlines
Arkansas Best
Bekins
Braniff International
Burlington Northern
CSX
Chicago & Northwestern Transportation
Chicago, Milwaukee, St. Paul & Pacific RR
Consolidated Freightways
Continental Air Lines
Delta Air Lines
Eastern Air Lines
Federal Express
Frontier Airlines
Leaseway Transportation
McLean Trucking
Missouri Pacific
Natomas
Norfolk & Western Ry.
Northwest Airlines
PSA
Pan American World Airways
Piedmont Aviation
RLC Corp.
Republic Airlines
Rio Grande Industries
Roadway Express
Santa Fe Industries
Soo Line RR
Southern Pacific
Southern Ry.
Telecom
Tiger International
Trans World Corp.
UAL
U.S. Air
United Van Lines
Western Air Lines
Yellow Freight System

Retailing Companies

ARA Services
Albertson's
Allied Stores
American Stores
Associated Dry Goods
Carter Hawley Hale Stores
Dayton Hudson
Dillon Companies
Eckerd (Jack)
Federated Department Stores
Fisher Foods
Giant Food
Great Atlantic & Pacific Tea
Holiday Inns
Kmart
Kroger
Lucky Stores
Macy (R.H.)
Marshall Field
May Department Stores
Melville
Mercantile Stores
National Tea
Penney (J.C.)
Rapid-American
Revco D.S.
Safeway Stores
Sears Roebuck
Stop & Shop Companies
Supermarkets General
Waldbaum
Wickes
Woolworth (F.W.)
Zayre

Utilities

Allegheny Power System
American Electric Power
American Natural Resources
American Telephone & Telegraph
Arizona Public Service
Baltimore Gas & Electric
Carolina Power & Light
Central & South West
Cleveland Electric Illuminating
Columbia Gas System
Commonwealth Edison
Consolidated Edison
Consolidated Natural Gas
Consumers Power
Continental Telephone
Detroit Edison
Duke Power
Duquesne Light
El Paso
Florida Power & Light
General Public Utilities
General Telephone & Electronics
Gulf States Utilities
Houston Industries
Illinois Power
Internorth
Long Island Lighting
Middle South Utilities
Niagara Mohawk Power
Northeast Utilities
Northern Indiana Public Service
Northern States Power
Ohio Edison
Pacific Gas & Electric
Pacific Lighting
Pacific Power & Light
Panhandle Eastern Pipe Line
Pennsylvania Power & Light
Peoples Energy
Philadelphia Electric
Public Service Co. of Indiana
Public Service Electric & Gas
Southern California Edison
Southern Company
Texas Eastern Corp.
Texas Utilities
Transco Companies
Union Electric
United Telecommunications
Virginia Electric & Power

APPENDIX C

Discussion of Pension Accounting and Disclosure

Users of financial statements can objectively evaluate an entity's financial condition by reviewing the income statement and balance sheet and calculating various ratios (involving gross sales, inventory, accounts receivable, accounts payable, long-term debt, etc). It is natural for a user to want a single dollar figure or ratio that would summarize the financial condition of the pension plan. Here, some are concentrating on "unfunded liability." Unfortunately, one plan's "unfunded liability" may not be comparable to another's. It should not be taken out of context.

What is an "unfunded liability"? In general it refers to the unfunded portion of a plan's long-term benefits commitment, or current and future liability, that is assigned to past years. Different actuarial cost methods used for various purposes allocate greatly varying amounts to the past. Also, different actuarial assumptions and the general type of plan may greatly affect the "unfunded liability" figure.

To put this discussion in context, let's consider the main parties who are vitally interested in a pension plan, their major concerns and what type of funding/expensing information can be helpful to them.

First, we have the employee who has been promised benefits from the plan. He is interested in the ultimate amount of these benefits and in the ability of the plan to provide his benefits. In short, he cares about the funded status of the plan. He is specifically interested in whether plan assets will be available to pay his benefits when due — not in short-term fluctuations in the value of assets and liabilities.

Therefore, as far as the employee is concerned, the type of information on total accumulated benefits required under FAS-36 is relatively meaningless as a measure of benefit security.

Next, we have the plan actuary. By selecting the actuarial assumptions (mortality, turnover, disability, retirement age, investment return, salary scales, etc.), the actuary estimates the "price" or "cost" of the plan. By selecting a funding method, this cost is allocated to future periods in a manner designed to fit the budget pattern of the plan sponsor.

Therefore, for purposes of determining a plan's long-term "price" and the incidence of funding, FAS-36 information has no relevance.

Third, we have the plan sponsor, the employer, whose interest in the pension plan encompasses funding commitments and federal income tax deduction limitations. For these purposes, the plan's funding method and assumptions used for "costing" are entirely adequate.

It is at this point that the roles of the actuary and accountant converge. Both become concerned not only with funding but with "expensing"—allocating the costs of pension benefits to accounting periods in a systematic method for financial reporting purposes. There are additional concepts and requirements for measurement, allocation and disclosure.

The employer is concerned with how these requirements will impact on its annual pension cost and its financial statements. The financial analyst has a legitimate need for tools that (1) permit an analysis of the potential effect of pension plan obligations on the particular employer and on changes from one period to the next and, (2) ideally, a comparison among employers.

The major questions in this area would seem to be:

- For an ongoing plan: What is the impact of pension costs on the earnings of the employer?
- For a termination or terminating plan: What benefits can be provided by plan assets? What will be the impact on the employer's earnings? net worth?
- Disclosure: How should these costs be measured and disclosed on the employer's financial statements?

Crucial to the pension cost issue is whether or not a single actuarial funding method must be used to allocate pension cost for expense purposes.

While a single funding method might be ideal for analysis purposes, it may not be practical or even possible to "get from here to there."

First, there is no single method that is inherently "better" for this purpose than any of the others. It will be impossible to attain a reasoned consensus on which method should be the universal standard. The only solution here would be to impose a single method selected arbitrarily.

Second, whatever method may be imposed, many plans will have been using a different method. This will force plans to

(a) bear the expense of two valuations, or

(b) switch to a single method — which may be completely inappropriate for the plan's funding status or the employer's budgeting needs.

For many companies the transition could be a wrenching experience which would invalidate financial analyses and change the design of plans.

Also, the particular method imposed may distort true future pension costs. For example, measuring the actuarial present value of accumulated pension benefits under FAS-36 standards does exactly that by ignoring salary scale increases, and requiring the use of an interest assumption which in many cases is more liberal and volatile than the funding assumption used by the actuary.

The decreases in unfunded vested accumulated benefits and unfunded total accumulated benefits under FAS-36 measurements reported in this 1981 Executive Report are substantial in comparison to unfunded past service liabilities as measured and reported in our **prior Reports.**

Because the number of corporations reporting in 1979 and 1980 changed, as well as the method of measuring liabilities, the magnitude of the decrease can be illustrated by comparing liabilities as a percent of net worth.

	Number of Companies	Unfunded Vested Liabilities ($ Millions)	Unfunded Vested Liabilities as a Percent of Net Worth
1979	444	$33,233.1	7.30%
1980	386	$13,604.9	2.73%

	Number of Companies	Total Unfunded Liability ($ Millions)	Total Unfunded Liability as a Percent of Net Worth
1979	293	$30,432.6	11.9%
1980	386	$22,826.5	4.6%

Accumulated benefits are measured, under FAS-36 standards, by counting only service and salary to date. Also, the interest assumption used to value these benefits approximates that used by the PBGC for a terminated plan situation. As a result, we believe the FAS-36 requirement accurately reflects the true current liability of the plan and plan sponsor for vested accrued benefits.

However, the eventual *true cost* of benefits may not be accurately reflected because:

- future salary increases may increase the amount of benefits attributable to prior service;
- the plan's funding method may allocate pension costs on a basis, involving different time periods;
- the plan's interest assumption will usually be lower than that used for FAS-36 purposes.

Therefore, for an ongoing pension plan, there may be a poor correlation between unfunded total accumulated benefits and the eventual cost obligation of the corporation.

We believe that the annual *pension expense* charged against operations is the appropriate indicator of the impact that pension costs will have on the financial operation of the plan sponsor. Expense figures recognize the difference in types of plan benefits (final average pay vs. career average pay vs. dollar per year of service) and funding methods as well as plan changes which affect prospective benefit accruals. The expense figure has, of course, been noted in financial statements of employers for many years. But there has usually been no disclosure of the pertinent actuarial assumptions and the actuarial cost method. And statements of the amortization period used to pay off past liabilities have often been unclear. The statement of the annual expense gives a direct indication of the impact on the employer's financial operations. The disclosure of the aforementioned information would permit the sophisticated user of this information to judge comparability among employers.

One method of presentation of the impact of pension costs on employers would be to show pension expense as a percentage of payroll, using any appropriate actuarial funding method that will not produce a ballooning of costs in future years. The estimate could be "tested" by requiring the disclosure of pension contributions and expense as a percentage of payroll for the five prior years. If the plan had been materially changed during this time, appropriate comment would be made.

About Employee Benefit Consulting at
Johnson & Higgins

Employee benefit plans continue to grow: in the range of benefits and in complexity. These plans—because they reflect voluntary action, negotiation, regulation or legislation, such as ERISA, ADEA, ERTA—are increasingly important to employers. Benefit plans represent a substantial percentage—typically 30%-45%—of total payroll and are essential to good employee relations.

The Johnson & Higgins approach to benefit consulting is comprehensive and includes all aspects of:

- design
- financing
- marketing
- communication
- monitoring
- research

Our consultants and actuaries are cross-trained in pensions and group insurance to achieve a degree of involvement and knowledge in employee benefit plans that is unmatched. About 700 full-time staff members provide the vital professional, technical and support services for our clients.

To maintain a leading position in our field, we are constantly developing new techniques, such as our:

- Benefit Adequacy Index to measure the employees' proper spendable income levels for pensions.
- General Adjustment for Inflation to cope with the erosion in pension purchasing power.
- Multi-Assumption Projection System to obtain a fix on future benefit program costs.
- Cost Containment techniques for application to medical and disability programs.
- Preretirement Counseling and Attitude Surveys to help in guiding employees.
- Flexible compensation programs to meet the changing needs of employers and their employees.

* * * * *

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